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Note by the Secretary-General

The Secretary-General has the honour to transmit herewith to the Security Council the report of the Board of Auditors on the audit of the United Nations escrow account established under the provisions of Security Council resolutions 1958 (2010) for the period from 1 January to 31 December 2013.

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Letters of transmittal

Letter dated 31 March 2014 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.5, I have the honour to submit the accounts of the United Nations escrow account established pursuant to Security Council resolution 1958 (2010) for the period from 1 January to 31 December 2013, which I hereby approve. The financial statements have been completed and certified as correct by the Controller.

(*Signed*) **BAN** Ki-moon

Letter dated 30 June 2014 from the Chair of the Board of Auditors addressed to the President of the Security Council

I have the honour to transmit to you the report of the United Nations Board of Auditors on the United Nations escrow account established under the provisions of Security Council resolutions 1958 (2010) for the period from 1 January to 31 December 2013.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General
United Kingdom of Great Britain and Northern Ireland
Chair of the United Nations Board of Auditors

Report of the Board of Auditors on the audit of the United Nations escrow account established under the provisions of Security Council resolutions 1958 (2010) for the period from 1 January to 31 December 2013

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I. Report of the Board of Auditors (audit opinion)

Report on the financial statements

We have audited the accompanying financial statements of the United Nations escrow account established under the provisions of Security Council resolution 1958 (2010) for the period from 1 January to 31 December 2013, which comprise the statement of income and expenditure and changes in reserves and fund balances (statement I), the statement of assets, liabilities and reserves and fund balances (statement II) and the statement of cash flows (statement III), as well as the notes to the financial statements.

Management's responsibility for the financial statements

The Secretary-General is responsible for the preparation and fair presentation of the financial statements in accordance with the United Nations system accounting standards and for such internal control as management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or to error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted the audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes the performance of procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including an assessment of the risks of material misstatement in the financial statements, whether due to fraud or to error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes an evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the escrow account present fairly, in all material respects, the financial position of the account as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with the United Nations system accounting standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the escrow account that have come to our notice, or which we have tested as part of our audit, have in all

significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also examined the management issues and concluded that there are no material managerial issues to draw to the attention of the Security Council. Therefore, we did not issue a long-form audit report. The two recommendations made for the period from 1 January to 31 December 2012 have been fully implemented.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

(*Signed*) **Liu** Jiayi
Auditor General of China
Lead Auditor

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General of the
United Republic of Tanzania

30 June 2014

II. Certification of the financial statements

The financial statements for the United Nations escrow account established pursuant to Security Council resolution 1958 (2010) for the period from 1 January to 31 December 2013 have been prepared in accordance with financial rule 106.1.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. The notes provide additional information on and clarification of the financial activities related to Security Council resolution 1958 (2010) undertaken by the Organization during the period covered by the statements, for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations escrow account established pursuant to Security Council resolution 1958 (2010), numbered I to III, are correct.

(*Signed*) Maria Eugenia **Casar**
Assistant Secretary-General, Controller

28 March 2014

III. Financial statements

United Nations escrow account established under the provisions of Security Council resolution 1958 (2010)[a]

I. Statement of income and expenditure and changes in reserves and fund balances for the period from 1 January to 31 December 2013

(Thousands of United States dollars)

	Administration	*Indemnification reserve*	*Total 2013*	*Total 2012*
Income				
Interest income	126	981	1 107	996
Total income	**126**	**981**	**1 107**	**996**
Expenditure				
Staff and other personnel costs	640	–	640	931
Travel	–	–	–	74
Contractual services	174	–	174	186
Operating expenses	19	18	37	50
Total expenditure	**833**	**18**	**851**	**1 241**
Excess (shortfall) of income over expenditure	**(707)**	**963**	**256**	**(245)**
Cancellation of prior-period obligations	–	–	–	4
Other adjustments to reserves and fund balances	(8)	–	(8)	–
Reserves and fund balances, beginning of period	17 704	133 830	151 534	151 775
Reserves and fund balances, end of period	**16 989**	**134 793**	**151 782**	**151 534**

[a] See note 1.

The accompanying notes are an integral part of the financial statements.

United Nations escrow account established under the provisions of Security Council resolution 1958 (2010)[a]

II. Statement of assets, liabilities and reserves and fund balances as at 31 December 2013

(Thousands of United States dollars)

	Administration	*Indemnification reserve*	*Total 2013*	*Total 2012*
Assets				
Cash and term deposits	40	41	81	93
Cash pool	16 953[b]	134 752[c]	151 705	151 541
Accounts receivable	87	–	87	30
Deferred expenditure	24	–	24	26
Total assets	**17 104**	**134 793**	**151 897**	**151 690**
Liabilities				
Unliquidated obligations — current year	40	–	40	57
Accounts payable	75	–	75	99
Total liabilities	**115**	**–**	**115**	**156**
Reserves and fund balances				
Operating reserves[d]	211	–	211	202
Cumulative surplus	16 778	134 793	151 571	151 332
Total reserves and fund balances	**16 989**	**134 793**	**151 782**	**151 534**
Total liabilities and reserves and fund balances	**17 104**	**134 793**	**151 897**	**151 690**

[a] See note 1.

[b] Represents the share of the United Nations main cash pool and comprises cash and term deposits of $3,543,249, short-term investments of $6,756,115, long-term investments of $6,630,209 and accrued interest receivable of $23,230.

[c] Represents the share of the United Nations main cash pool and comprises cash and term deposits of $28,164,123, short-term investments of $53,702,144, long-term investments of $52,701,359 and accrued interest receivable of $184,650.

[d] Represents reserves for end-of-service and post-retirement benefits. See note 4.

The accompanying notes are an integral part of the financial statements.

United Nations escrow account established under the provisions of Security Council resolution 1958 (2010)[a]

III. Statement of cash flows for the period from 1 January to 31 December 2013

(Thousands of United States dollars)

	Administration	*Indemnification reserve*	*Total 2013*	*Total 2012*
Cash flows from operating activities				
Net excess (shortfall) of income over expenditure (statement I)	(707)	963	256	(245)
(Increase) decrease in accounts receivable	(57)	–	(57)	(7)
(Increase) decrease in deferred expenditure	2	–	2	(6)
Increase (decrease) in unliquidated obligations	(17)	–	(17)	(34)
Increase (decrease) in accounts payable	(24)	–	(24)	27
Less: interest income	(126)	(981)	(1 107)	(996)
Net cash from operating activities	**(929)**	**(18)**	**(947)**	**(1 261)**
Cash flows from investing activities				
Interest income	126	981	1 107	996
Net cash from investing activities	**126**	**981**	**1 107**	**996**
Cash flows from financing activities				
Cancellation of prior-period obligation	–	–	–	4
Other adjustments to reserves and fund balances	(8)	–	(8)	–
Net cash from financing activities	**(8)**	**–**	**(8)**	**4**
Net increase in cash and term deposits and cash pool	**(811)**	**963**	**152**	**(261)**
Cash and term deposits and cash pool, beginning of period	17 804	133 830	151 634	151 895
Cash and term deposits and cash pool, end of period	16 993	134 793	151 786	151 634

[a] See note 1.

The accompanying notes are an integral part of the financial statements.

United Nations escrow account established under the provisions of Security Council resolution 1958 (2010) (statements I, II and III)
Notes to the financial statements

Note 1

(a) The Security Council, in its resolution 1958 (2010) of 15 December 2010, requested the Secretary-General to take all actions necessary to terminate all residual activities of the oil-for-food programme. The Council authorized the Secretary-General to establish an escrow account and retain $20 million in it until 31 December 2016 for the expenses related to the orderly termination of the residual activities, including the Organization's support to Member State investigations and Member State proceedings related to the programme, as well as the expenses of the office of the High-level Coordinator created pursuant to its resolution 1284 (1999).

(b) In the same resolution, the Security Council authorized the Secretary-General to retain in the escrow account up to $131 million for the purpose of providing indemnification to the United Nations, its representatives, agents and independent contractors with regard to all activities in connection with the oil-for-food programme since its inception, for a period of six years.

(c) Also in the same resolution, the Security Council requested that all funds remaining in the escrow account after six years be transferred to the Government of Iraq by 31 December 2016.

(d) The activities described in (a) and (b) above are shown in the "Administration" and "Indemnification reserve" columns, respectively, in these financial statements.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations

(a) The accounts of the United Nations are maintained in accordance with the Financial Regulations and Rules of the United Nations, adopted by the General Assembly, the rules formulated by the Secretary-General as required under the Regulations and administrative instructions issued by the Under-Secretary-General for Management or the Controller. They also take fully into account the United Nations system accounting standards, as adopted by the United Nations System Chief Executives Board for Coordination. The Organization follows International Accounting Standard 1, "presentation of financial statements", on the disclosure of accounting policies, as modified and adopted by the Chief Executives Board, as follows:

(i) Going concern, consistency and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Organization's accounts are maintained on a fund accounting basis. Separate funds for general or special purposes may be established by the General Assembly, the Security Council or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) The financial period for the escrow account established under the provisions of Security Council resolution 1958 (2010) is one year, from 1 January to 31 December. The financial period of the Organization for all other funds is a biennium and consists of two consecutive calendar years, except for peacekeeping operations, which are on annual cycle.

(d) Generally, income, expenditure, assets, and liabilities are recognized on the accrual basis of accounting.

(e) The accounts of the Organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transactions at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than the United States dollar, translated at the applicable United Nations rates of exchange in effect at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the Organization's rates of exchange for the last month of the financial period, a footnote will be provided quantifying the difference.

(f) The Organization's financial statements are prepared on the historical cost basis of accounting, and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flow summary statement is based on the indirect method of cash flows as referred to in the United Nations system accounting standards.

(h) Income:

(i) Voluntary contributions from Member States or other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Voluntary contributions

made in the form of services and supplies that are acceptable to the Secretary-General are credited to income or noted in the financial statements;

(ii) Allocations from other funds represent monies appropriated or designated from one fund for transfer to and disbursement from another fund;

(iii) Income for services rendered include amounts charged for salaries of staff members and other costs which are attributable to providing technical and administrative support to other organizations;

(iv) Interest income includes all interest earned on deposits in various bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pools. All gains and losses on investments and foreign exchange differences relating to the cash pools are offset against investment income. Investment income and costs associated with the operation of investments in the cash pools are allocated to participating funds;

(v) Miscellaneous income includes income from the rental of premises, the sale of used or surplus property, refunds of expenditures charged to prior periods, settlements of insurance claims, net gains on currency fluctuations other than for the current year's obligations, monies accepted for which no purpose was specified and other sundry income;

(vi) Income relating to future financial periods is not recognized in the current financial period and is recorded as deferred income as referred to in paragraph k (iii) below.

(i) Expenditure:

(i) Expenditures are incurred against authorized appropriations or commitment authorities. Total expenditures reported include unliquidated obligations and disbursements. Expenditures also include currency exchange adjustments arising from the evaluation of current-period obligations;

(ii) Expenditures incurred for non-expendable property are charged to the budget of the period when acquired and are not capitalized. Inventory of such non-expendable property is maintained at historical cost;

(iii) Expenditures for future financial periods are not charged to the current financial period and are recorded as deferred charges as referred to in paragraph (k) (iv) below.

(j) Assets:

(i) Cash and term deposits represent funds in demand-deposit accounts and interest-bearing bank deposits;

(ii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the pools. The investments in the cash pools are stated at their fair value and include marketable securities and other negotiable instruments acquired to produce income. The share in the cash pools is reported separately in each participating fund's statement and the composition of its investments is disclosed in the footnotes to the statements. Currently, the escrow account participates only in the main cash pool, see note 3;

(iii) Inter-fund balances reflect transactions between funds and are included in the amounts due to and from the United Nations General Fund. Inter-fund balances also reflect transactions directly with other escrow accounts and with the United Nations General Fund. Inter-fund balances are settled periodically, depending on the availability of cash resources;

(iv) Provision for delays in collection of receivable balances is not made;

(v) Deferred charges normally comprise expenditure items that are not properly chargeable in the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 105.2. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(vi) For purposes of the statement of assets, liabilities and reserves and fund balances only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred expenditure. The full amount of the advances is maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the expenditures are charged and the advances are settled;

(vii) Maintenance and repair of capital assets are charged to expenditure. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Organization. Such acquisitions are charged to expenditure in the year of purchase. The value of non-expendable property is disclosed in the notes to the financial statements.

(k) Liabilities and reserves and fund balances:

(i) Operating reserves include reserves for end-of-service and post-retirement benefits. Operating reserves are included in the totals for reserves and fund balances shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes income received but not yet earned;

(iv) Commitments of the Organization relating to prior, current, and future financial periods are shown as unliquidated obligations. Current period obligations remain valid for 12 months following the end of the financial period to which they relate;

(v) Contingent liabilities, if any, are disclosed in the notes to the financial statements;

(vi) The United Nations is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded defined benefit plan. The financial obligation of the Organization to the Pension Fund consists of its mandated contribution at the rate established by the Assembly together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund.

Such deficiency payments are payable only if and when the Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the date of the current financial statement, the Assembly has not invoked this provision;

(vii) The United Nations is transitioning from the use of the United Nations system accounting standards to the International Public Sector Accounting Standards (IPSAS), which will guide the presentation of the financial statements of the United Nations, including those of the escrow account, commencing from the 2014 financial year. Hence, the present financial statements are the last statements to be prepared on the basis of the United Nations system accounting standards. The International Public Sector Accounting Standards are based on full accrual accounting, which means that all assets and liabilities are presented on the face of the financial statements and expenses and revenues are recognized when incurred or earned, irrespective of the cash flows. Also, under IPSAS, significantly more note disclosures are required in the financial statements. Under the United Nations system accounting standards, financial accounting and budgetary accounting are aligned. With the adoption of IPSAS, the financial statements will be presented on a full accrual basis, whereas budgetary expenditure will continue to be recorded on a modified cash basis. There will be a reconciliation between budget implementation and the financial statements, which will be presented in the notes to the financial statements. IPSAS requires annual financial statements; commencing from the 2014 financial year, IPSAS-compliant financial statements will be prepared and audited annually.

Note 3
Cash pool

(a) Background:

(i) The United Nations Treasury centrally invests surplus funds on behalf of the United Nations Secretariat, including the escrow account established under the provisions of Security Council resolution 1958 (2010). Such surplus funds are combined in one of two internally managed cash pools, which invest in major segments of the money and fixed-income markets. Pooling the funds has a positive effect on overall investment performance and risk because of economies of scale and through the ability to spread yield curve exposures across a range of maturities;

(ii) The investment activities of the cash pools are guided by the principles contained in the Investment Management Guidelines. An Investment Committee periodically assesses compliance with the Guidelines and makes recommendations for updates thereto, and also reviews performance.

(b) Investment management objectives: further to the Guidelines, the investment objectives of the cash pools, in order of priority, are the following:

(i) Safety: ensure the preservation of capital;

(ii) Liquidity: ensure sufficient liquidity to enable the United Nations and participating entities to readily meet all operating requirements. Only assets

which have a readily available market value and can be easily converted to cash are held;

(iii) Return on investment: attain a competitive market rate of return taking into account investment risk constraints and the cash flow characteristics of the pool. Benchmarks determine whether satisfactory market returns are being achieved in the cash pool.

(c) Cash pools:

(i) The United Nations Headquarters Treasury manages investments in two cash pools — the main cash pool and the euro cash pool:

a. Effective 1 July 2013, the United Nations Headquarters and the United Nations offices away from Headquarters cash pools were combined to form the main cash pool. The main cash pool now comprises operational bank account balances and investments in United States dollars;

b. The euro cash pool comprises investments in euros. The fund participants are mostly offices away from Headquarters that may have a surplus of euros from their operations;

(ii) The escrow account participates in the main cash pool only, which is invested in a variety of securities. Such securities may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The main cash pool does not invest in derivative instruments, asset-backed, mortgage-backed or equity products;

(iii) Investment transactions are now accounted for on a trade date basis, reflecting a change from settlement date to trade date; the 2012 figures have not been restated, as the impact of the change has been deemed to be immaterial. Investment income is recognized on the accrual basis; transaction costs that are directly attributable to the investment activity of the cash pools are expensed as incurred in the cash pools, and the net income is distributed proportionately to the funds participating in the cash pools; operational bank account fees are not netted but are distributed to cash pool participants. The unrealized market gains and losses on securities and foreign exchange gains and losses are distributed proportionately to all participants on the basis of their end-of-year balances;

(iv) Gains and losses on the sale of investments are calculated as the difference between the sales proceeds and book value and are reflected in the net income distributed to the cash pool participants;

(v) Investments have been recorded at fair value. The 2012 comparative figures represent the book value of investments. The 2012 figures have not been restated, as the impact of the change in valuation has been deemed to be immaterial.

(d) Financial information pertaining to the main cash pool:

(i) As at 31 December 2013, the main cash pool held total assets of $9,548.7 million; of this amount, $151.7 million was due to the escrow account, as reflected against the cash pool line in statement II, Statement of assets, liabilities and reserves and fund balances;

(ii) Financial information of the main cash pool as at 31 December 2013 is summarized in table 1.

Table 1
Main cash pool summary as at 31 December 2013
(Thousands of United States dollars)

Assets and liabilities

	Main pool
Assets	
Short-term investments[a]	5 687 907
Long-term investments[a]	3 734 459
Total investments	**9 422 366**
Cash	113 200
Accrued investment income	13 084
Total assets	**9 548 650**
Liabilities	
Payable to escrow account	151 705
Payable to other funds participating in the main cash pool	9 396 945
Total liabilities	**9 548 650**
Net assets	–
Net income	
Income	
Investment revenue	43 684
Realized gains on sales of securities	13 367
Foreign exchange adjustments	4 241
Unrealized gains	4 811
Net income from investments	**66 103**
Bank fees	(1 083)
Net income from operations	**65 020**

[a] Fair value.

(e) Composition of the main cash pool: a breakdown of investments held in the main cash pool by type of instrument is shown in table 2.

Table 2
Investments of the main cash pool, by type of instrument, as at 31 December 2013
(Thousands of United States dollars)

	Book value	*Fair value*[a]
Bonds		
Non-United States agencies	2 073 122	2 077 421
Non-United States sovereigns	670 963	674 773
Supranationals	250 075	250 246
United States agencies	555 494	556 492
United States treasuries	1 597 161	1 592 050
Subtotal	**5 146 815**	**5 150 982**
Discounted instruments	2 138 208	2 138 849
Certificates of deposit	250 000	250 003
Term deposits	1 882 532	1 882 532
Total investments	**9 417 555**	**9 422 366**

[a] Fair value is determined by the independent custodian on the basis of valuations of securities that are sourced from third parties.

(f) Financial risk management: the main cash pool is exposed to a variety of financial risks, including credit risk, liquidity risk, currency risk and market risk (which includes interest rate risk and other price risks), as described below:

(i) Credit risk: the Guidelines require that investments not be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made. The credit ratings used are those determined by the major credit-rating agencies; Standard & Poor's and Moody's are used to rate bonds and commercial paper, and the Fitch Viability Rating is used to rate bank term deposits. The credit ratings of the issuers whose securities were held in the main cash pool are shown in table 3;

Table 3
Investments of the main cash pool, by credit rating, as at 31 December 2013
(Thousands of United States dollars)

	Total[a]	*Ratings*
Bonds	5 150 982	S&P: 32.3% AAA and 63.1% AA+/Aa; 4.6% not rated by S&P; Moody's: 81.9% Aaa and 18.1% Aa1/Aa3
Discounted instruments	2 138 849	S&P: 71.7% A-1 and 24.1% NR; 95.8% A-1+; Moody's: 95.8% P-1; Fitch: 4.2% aa-
Certificates of deposit	250 003	S&P: 40% A-1+; Moody's: 40% P-1; Fitch: 60% a+/a-
Term deposits	1 882 532	Fitch: 58.6% aa- and 41.4% a+/a/a-
Total investments	**9 422 366**	

[a] Represents the fair value of securities as at 31 December 2013.

(ii) Liquidity risk: the main cash pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet commitments as and when they fall due. The major portion of the pool's cash and cash equivalents and investments are available within one day's notice to support operational requirements. Hence, the main cash pool is able to respond to withdrawal needs in a timely manner, and liquidity risk is considered to be low;

(iii) Currency risk: currency risk is the risk that the value of investments denominated in currencies other than United States dollars will fluctuate owing to changes in foreign exchange rates against the dollar. The main cash pool has no currency risk for its investments that are in United States dollars. The main cash pool has currency risk for operational bank balances;

(iv) Interest rate risk:

a. Interest rate risk is the risk of variability in investments' values due to change in interest rates. In general, as interest rate rises, the price of a fixed-rate security falls, and vice-versa. Interest rate risk is commonly measured by the fixed-rate security's duration, with duration being a number expressed in years. The larger the duration, the greater the interest rate risk;

b. The main cash pool is exposed to interest rate risk as their holdings comprise interest-bearing securities. As at 31 December 2013, the main cash pool invested primarily in securities with shorter terms to maturity, with the maximum term being less than four years. The average duration of the main cash pool was 0.92 years, which is considered to be an indicator of low interest rate risk;

c. Table 4 shows how fair value of the main cash pool as at 31 December 2013 would increase or decrease should the overall yield curve shift in response to changes in interest rates. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). However, in view of the current interest rate environment, the basis point shifts should be considered to be illustrative;

Table 4
Sensitivity of the main cash pool to interest rates as of 31 December 2013

Shift in yield curve (Basis points)	*Change in fair value (Millions of United States dollars)*
-200	174.0
-150	130.0
-100	87.0
-50	43.0
0	0.0
50	-43.0
100	-87.0
150	-130.0
200	-174.0

(v) Other price risk: the main cash pool is not exposed to significant other price risk, as the cash pool does not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Note 4
Operating reserves

Operating reserves comprise estimated liabilities for end-of-service and post-retirement benefits for applicable staff members. The benefits comprise those for after-service health insurance coverage, repatriation benefits and commutation of unused vacation days. All these liabilities are determined on the basis of an actuarial valuation, which was undertaken by an independent, qualified actuarial firm.

The estimated liabilities as at 31 December 2013 were $211,000 ($119,000 for after-service health insurance, $63,000 for repatriation benefits and $29,000 for unused vacation days). Operating reserves are included in the total for reserves and fund balances.

Note 5
Non-expendable property

The non-expendable property valued at historical cost is shown below.

(Thousands of United States dollars)

2013	*2012*
10	10

Note 6
Contingent liabilities

Further to Security Council resolution 1958 (2010), the Secretary-General took all actions necessary to terminate all residual activities under the oil-for-food programme, including the closure of all letters of credit with outstanding claims of delivery for which no confirmation of arrival would be provided by the Government of Iraq, without prejudice to any rights or claims that the suppliers with claims of delivery may have for payment, or otherwise, against the Government of Iraq under their respective commercial contracts with the Government of Iraq.

In accordance with Security Council resolution 1958 (2010), the Secretariat is negotiating an agreement with the Government of Iraq under which the Government would provide appropriate indemnification to the United Nations, its representatives, agents and independent contractors with regard to all activities in connection with the programme since its inception. Under that agreement, the Government would also agree to provide a waiver of any future claims that the Government of Iraq may have against the United Nations, its representatives, agents and independent contractors with regard to all activities in connection with the programme since its inception.

Note 7
Escrow account activities

Escrow account activities during fiscal year 2013 were as follows:

(Thousands of United States dollars)

Project	*Expenditure*
IRAQ-1958-ADMIN	595
IRAQ-1958-HLC	49
IRAQ-1958-IIC	207
Total	**851**

IRAQ-1958-ADMIN. In accordance with Security Council resolution 1958 (2010) the Secretariat continued to negotiate the agreement with the Government of Iraq.

IRAQ-1958-HLC. The Office of the High-level Coordinator continued its activities pursuant to Security Council resolution 1284 (1999).

IRAQ-1958-IIC. The Office of Independent Inquiry Committee continued to support Member States investigations and Member States proceedings related to the programme.

United Nations S/2014/536

Security Council

Distr.: General
30 July 2014

Original: English

France, United Kingdom of Great Britain and Northern Ireland and United States of America: draft resolution

The Security Council,

Welcoming the report of the Secretary-General of 9 July 2014 (S/2014/461) on the United Nations operation in Cyprus,

Noting that the Government of Cyprus has agreed that in view of the prevailing conditions on the island it is necessary to keep the United Nations Peacekeeping Force in Cyprus (UNFICYP) beyond 31 July 2014,

Noting the intention of the Secretary-General to report on his good offices in the next reporting period, and *echoing* the Secretary-General's firm belief that the responsibility for finding a solution lies first and foremost with the Cypriots themselves, and *reaffirming* the primary role of the United Nations in assisting the parties to bring the Cyprus conflict and division of the island to a comprehensive and durable settlement,

Welcoming the resumption of negotiations and the Joint Declaration adopted by the Greek Cypriot and Turkish Cypriot leaders on 11 February 2014, and the cross-visits of the Chief Negotiators to Ankara and Athens, and *expressing its support* for the ongoing efforts of the leaders and negotiators to reach a comprehensive settlement as soon as possible,

Recalling the importance attached by the international community to all parties engaging fully, flexibly and constructively in the negotiations, and *noting* that the move towards a more results-oriented phase of negotiations has not yet resulted in an enduring, comprehensive and just settlement based on a bicommunal, bizonal federation with political equality, as set out in the relevant Security Council resolutions, *encouraging* the sides to intensify the substantive negotiations on the unresolved core issues interdependently, and stressing that the status quo is unsustainable,

Noting the need to advance the consideration of and discussions on military confidence-building measures, *calling for* renewed efforts to implement all remaining confidence-building measures, and for agreement on and implementation of further steps to build trust between the communities,

Reaffirming the importance of continued crossings of the Green Line by Cypriots, and *encouraging* the opening by mutual agreement of other crossing points,

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Convinced of the many important benefits, including economic benefits, for all Cypriots that would flow from a comprehensive and durable Cyprus settlement, *urging* the two sides and their leaders to foster positive public rhetoric, and *encouraging* them clearly to explain the benefits of the settlement, as well as the need for increased flexibility and compromise in order to secure it, to both communities well in advance of any eventual referendums,

Highlighting the importance of the supporting role of the international community, and in particular that of the parties concerned in taking practical steps towards helping the Greek Cypriot and Turkish Cypriot leaders to exploit fully the current opportunity,

Taking note of the assessment of the Secretary-General that the security situation on the island and along the Green Line remains stable, and *urging* all sides to avoid any action, including violations of the military status quo, which could lead to an increase in tension, undermine the progress achieved so far, or damage the goodwill on the island,

Recalling the Secretary-General's firm belief that the situation in the buffer zone would be improved if both sides accepted the 1989 aide-memoire used by the United Nations,

Noting with regret that the sides are withholding access to the remaining minefields in the buffer zone, and that demining in Cyprus must continue, *noting* the continued danger posed by mines in Cyprus, *noting also* recent proposals and discussions on demining, and *urging* rapid agreement on facilitating the recommencement of demining operations and clearance of the remaining minefields,

Commending the work of the Committee on Missing Persons, *highlighting* the importance of intensifying its activities, *urging* the opening up of access to all areas expeditiously to allow the Committee to carry out its work, and *trusting* that this process will promote reconciliation between the communities,

Agreeing that active participation of civil society groups, including women's groups, is essential to the political process and can contribute to making any future settlement sustainable, *recalling* that women play a critically important role in peace processes, *welcoming* all efforts to promote bicommunal contacts and events including, inter alia, on the part of all United Nations bodies on the island, and *urging* the two sides to promote the active engagement of civil society and the encouragement of cooperation between economic and commercial bodies and to remove all obstacles to such contacts,

Stressing the need for the Council to pursue a rigorous, strategic approach to peacekeeping deployments,

Welcoming the intention of the Secretary-General to keep all peacekeeping operations under close review to ensure efficiency and effectiveness, *including* a review of UNFICYP when appropriate, and *noting* the importance of contingency planning in relation to the settlement, including recommendations as appropriate for further adjustments to UNFICYP's mandate, force levels and other resources and concept of operations, taking into account developments on the ground and the views of the parties,

Noting with appreciation the efforts of Lisa Buttenheim as the Special Representative of the Secretary-General and acting Special Adviser, *thanking* the

outgoing Force Commander Major General Chao Liu, *welcoming* the incoming Force Commander Major General Kristin Lund, *thanking* Alexander Downer for his efforts over the last six years as Special Adviser, and *encouraging* the Secretary-General to appoint a Special Adviser in the near future,

Echoing the Secretary-General's gratitude to the Government of Cyprus and the Government of Greece for their voluntary contributions to the funding of UNFICYP, and his request for further voluntary contributions from other countries and organizations, and *expressing* appreciation to Member States that contribute personnel to UNFICYP,

Welcoming and encouraging efforts by the United Nations to sensitize peacekeeping personnel in the prevention and control of HIV/AIDS and other communicable diseases in all its peacekeeping operations,

1. *Acknowledges* the progress made so far in the fully fledged negotiations, but notes that this has not been sufficient and has not yet resulted in a comprehensive and durable settlement, and urges the sides to continue their discussions to reach decisive progress on the core issues;

2. *Takes note* of the report of the Secretary-General (S/2014/461);

3. *Recalls* Security Council resolution 2026 (2011), and *calls upon* the two leaders to:

(a) Put their efforts behind further work on reaching convergences on the core issues;

(b) Continue to work with the Technical Committees with the objective of improving the daily lives of the Cypriots;

(c) Improve the public atmosphere for the negotiations, including by focussing public messages on convergences and the way ahead, and delivering more constructive and harmonized messages; and

(d) Increase the participation of civil society in the process as appropriate;

4. *Urges* the implementation of confidence-building measures, and *looks forward* to agreement on and implementation of further such mutually-acceptable steps, including military confidence-building measures and the opening of other crossing points, that can contribute to a conducive environment for a settlement;

5. *Welcomes* all efforts to accommodate the Committee on Missing Persons exhumation requirements and calls upon all parties to provide full access to all areas expeditiously, given the need to intensify the Committee's work;

6. *Reaffirms* all its relevant resolutions on Cyprus, in particular resolution 1251 (1999) of 29 June 1999 and subsequent resolutions;

7. *Expresses* its full support for UNFICYP and *decides* to extend its mandate for a further period ending 31 January 2015;

8. *Calls* on both sides to continue to engage, as a matter of urgency and while respecting UNFICYP's mandate, in consultations with UNFICYP on the demarcation of the buffer zone, and on the United Nations 1989 aide-memoire, with a view to reaching early agreement on outstanding issues;

9. *Calls* on the Turkish Cypriot side and Turkish forces to restore in Strovilia the military status quo which existed there prior to 30 June 2000;

10. *Calls* on both sides to allow access to deminers and to facilitate the removal of the remaining mines in Cyprus within the buffer zone, and *urges* both sides to extend demining operations outside the buffer zone;

11. *Requests* the Secretary-General to submit a report on implementation of this resolution, including on contingency planning in relation to the settlement, by 10 January 2015 and to keep the Security Council updated on events as necessary;

12. *Welcomes* the efforts being undertaken by UNFICYP to implement the Secretary-General's zero-tolerance policy on sexual exploitation and abuse and to ensure full compliance of its personnel with the United Nations code of conduct, *requests* the Secretary-General to continue to take all necessary action in this regard and to keep the Security Council informed, and *urges* troop-contributing countries to take appropriate preventive action including the conduct of predeployment awareness training, and to take disciplinary action and other action to ensure full accountability in cases of such conduct involving their personnel;

13. *Decides* to remain seized of the matter.

United Nations S/2014/537

Security Council

Distr.: General
25 July 2014

Original: English

Report of the Secretary-General on South Sudan

I. Introduction

1. The present report is submitted pursuant to Security Council resolution 2155 (2014), by which the Council extended the mandate of the United Nations Mission in South Sudan (UNMISS) until 30 November 2014 and requested me to report every 60 days on the implementation of the Mission's mandate. The present report provides an update on developments since the issuance of my report of 6 March 2014 (S/2014/158), including the reconfiguration of UNMISS and the personnel review.

II. Political developments

2. The Intergovernmental Authority on Development (IGAD), with the support of the United Nations and other international partners, has continued its efforts to facilitate a political solution to the conflict. The third session of the peace process opened on 28 April, culminating on 5 May in the signing by the Government and the Sudan People's Liberation Movement/Army (SPLM/A) in Opposition of an agreement by which the parties recommitted themselves to the cessation of hostilities agreement of 23 January and its provisions on humanitarian access. The parties also agreed to consider what was termed a "month of tranquility" from 7 May to 7 June to allow for humanitarian resupply and the planting of crops. Unfortunately, this did not materialize on the ground. On 6 May, the parties adopted an agenda for the political dialogue, which included discussions on a permanent ceasefire, transitional governance and interim arrangements and a permanent constitution. On 9 May, the President of South Sudan, Salva Kiir, and the former Vice-President, Riek Machar, met in Addis Ababa for the first time since December 2013 and signed an agreement to resolve the crisis in South Sudan, under which they pledged to fully implement the cessation of hostilities agreement and facilitate the deployment of the IGAD monitoring and verification mechanism.

3. On 19 May, the talks adjourned without agreement on the matrix prepared by the IGAD mediation team outlining the steps required for the implementation of the cessation of hostilities agreement or a framework for discussions on transitional arrangements. The Government refused to commit itself to the specifics of transitional arrangements, while SPLM/A in Opposition would not sign the implementation matrix unless an agreement were reached on the transitional arrangements.

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4. Concurrent to the political dialogue between the two parties, on 5 April the IGAD mediation team launched a Sudan People's Liberation Movement (SPLM) intra-party dialogue forum, with a view to addressing the party leadership dispute and creating an environment conducive to political talks. During a preparatory meeting held from 23 to 26 April that was facilitated by senior officials of the African National Congress and the Ethiopian People's Revolutionary Democratic Front, the parties reached an agreement on the objectives of the forum, its agenda and the rules of engagement. They could not agree, however, on the terms "interim arrangements" and "interim period" in the draft document. The absence of Politburo members from SPLM/A in Opposition at the forum undermined efforts to reach consensus on those issues. The forum has yet to be reconvened.

5. To help to break the deadlock in the political process, on 6 and 7 June IGAD organized a symposium bringing together the two parties and four other stakeholders (political parties, formerly detained SPLM officials, civil society members and leaders of faith-based organizations), marking the first opportunity for representatives of all political constituencies in South Sudan to discuss the requirements for sustainable peace.

6. On 10 June, the IGAD Heads of State held a summit to discuss the situation in South Sudan, among other things. The President and Riek Machar met on the margins of the summit and agreed to expedite and complete dialogue on the formation of a transitional government of national unity within 60 days. Nevertheless, SPLM/A in Opposition refused to attend multi-stakeholder round-table negotiations when they were reconvened on 20 June. It cited objections to the presence of stakeholders other than those from the Government in direct political negotiations and raised issues over the selection of representatives of civil society organizations, political parties and faith institutions. The negotiations were thereafter adjourned indefinitely and the mediation team is now consulting the parties on the way forward.

7. Early in May, Pagan Amum, Oyai Deng Ajak, Ezekiel Lol Gatkuoth and Majak D'Agoot were released from detention following an order of the Minister of Justice of 25 April staying criminal proceedings against 11 of the political figures who had been arrested in late December 2013 for treason. All four subsequently left the country and participated in the opening of the round-table negotiations in Addis Ababa. The stay of criminal proceedings specifically excluded three additional political figures accused of the same charges: Riek Machar, Alfred Lado Gore and Taban Deng Gai.

8. Speaking in Juba on 11 May, the President outlined his road map for the peace process, stating that it should begin with a cessation of hostilities, the full deployment of the IGAD monitoring and verification mechanism, including its protection force, and the opening of humanitarian access. Thereafter, and pending the implementation of a comprehensive ceasefire, the Government would consider an amnesty for the crimes committed during the crisis and a transitional government of national unity would be formed. That transitional government would then organize an all-inclusive national reconciliation conference in Juba, which would address the key political and security reforms necessary for the stability of the country, thereby setting the stage for a constitutional review process and the holding of general elections in 2017 or 2018. In an address to the parliament on 19 June, the President stressed that, as a red line for the Government, a transitional government

could be formed only under his leadership, although additional posts might be created in the Government and the parliament for SPLM/A in Opposition, and that no elected leader would be removed from his or her post.

9. SPLM/A in Opposition has maintained that the future system of governance and democratic transformation should be agreed before the establishment of a transitional government, which would implement the agreed reforms. During a consultative conference held in Nasser, Upper Nile State, from 15 to 18 April, SPLM/A in Opposition announced the launch of a resistance movement and recommended the immediate establishment of a federal system of government under a new leadership, following the signature of a comprehensive peace agreement. On 28 June, Riek Machar appointed heads of national committees to fill the structure of SPLM/A in Opposition. The former Minister of Environment, Alfred Lado Gore, from Central Equatoria State, was appointed Deputy Chair of SPLM/A in Opposition.

Other political developments

10. On 6 May, the Government of the United States of America announced bilateral sanctions, notably a travel ban and an asset freeze, against a defected SPLA major general who now commands Riek Machar's troops in Unity State, Peter Gadet, and the head of the presidential guard, Major General Marial Chanuong, for, among other things, targeting civilians and fomenting ethnic violence. On 10 July, the European Union also announced a travel ban and asset freeze against Peter Gadet and the commander of the SPLA Third Division, Major General Santino Deng Wol, for obstructing the peace process and committing atrocities. On 10 June, the IGAD Heads of State announced, among other things, their intention to consider punitive measures against those continuing to undermine the peace process.

11. On 17 March, the President announced the expansion of the Cabinet from 21 to 27 ministers and the split of most of the government ministries merged in July 2013. While the new ministries were re-established, the new Cabinet positions have yet to be filled. On 23 April, the President replaced the Sudan People's Liberation Army (SPLA) Chief of General Staff, General James Hoth Mai, with the Governor of Northern Bahr el Ghazal State, General Paul Malong Awan.

12. On 5 April, the Government announced the establishment of a national platform for peace and reconciliation, intended to serve as an umbrella organization for three national peace and reconciliation institutions (the South Sudan Peace and Reconciliation Commission, the Specialized Parliamentary Committee on Peace and Reconciliation and the Committee for National Healing, Peace and Reconciliation) under the leadership of the Chair of the last-mentioned institution, Archbishop Daniel Deng. It has begun consultation with South Sudanese stakeholders towards the holding of a national dialogue and reconciliation conference.

13. On 9 May, separate talks in Addis Ababa, between the Government of South Sudan and the South Sudan Democratic Movement/Army Cobra Faction, led by David Yau Yau, concluded with the signing of an agreement on the resolution of the conflict. The agreement establishes a Greater Pibor administrative area as an autonomous area within Jonglei State. It also stipulates that the forces of the Cobra Faction are to be peacefully integrated into the ranks of the army, the national police and other security forces. Delays in the implementation of the agreement, in particular the integration process, are creating tensions between the Cobra Faction

forces and SPLA troops in the town of Pibor and other areas of Pibor county. On 20 May, David Yau Yau arrived in Juba to meet the President and other government officials. He also attended independence anniversary celebrations in Juba on 9 July. UNMISS has provided logistical and technical support for the peace process between the Government and the Cobra Faction.

III. Security situation

A. Security developments

14. Between March and early May, heavy fighting continued between SPLA and SPLM/A in Opposition and other armed groups affiliated with both sides, mainly over control of state capitals and the oilfields in Upper Nile and Unity States. Further to the agreement to resolve the crisis in South Sudan of 9 May, fighting subsided somewhat, with continued small-scale skirmishes and mobilization but no major engagements.

Unity State

15. The state capital, Bentiu, and the Unity oilfields changed hands at least three times between March and May. SPLM/A in Opposition took control of Bentiu from SPLA on 15 April. As indicated in the human rights section of the present report, hundreds of civilians were targeted and killed, based on their ethnic identity, during the fighting. In the second half of April, SPLA attempted to retake the oilfields and Bentiu through attacks launched from Pariang county. The town of Mayom changed hands several times between 25 and 27 April. SPLA regained control of Bentiu and Rubkona on 8 May. Repeated fighting during May and early June was reported in Mayom, Rubkona and Guit counties and on the outskirts of Bentiu and Rubkona. At the time of preparation of the present report, SPLA maintains control of Bentiu and Rubkona, but SPLM/A in Opposition forces remain in close proximity. The areas are heavily militarized, with very few civilians present.

16. Anti-tank land mines have been used in the fighting in Unity State. Three anti-tank mines were detonated by vehicles, on 20 May and 6 and 18 June, reportedly resulting in five deaths and nine injuries. Two of the detonations were along the main road between Bentiu and Mayom, the other along the road between Bentiu and Leer. One of the blasts affected a truck contracted by the World Food Programme, without casualties.

Upper Nile State

17. From March until early May, fighting between SPLA and SPLM/A in Opposition was concentrated around Melut, Renk, Nasser and the state capital, Malakal. On 19 March, SPLA retook control of Malakal and subsequently dislodged Riek Machar and his forces from their main headquarters and base at Nasser on 4 May.

18. On 24 April, a convoy of four UNMISS barges carrying a large amount of critical fuel and other supplies on the White Nile river from Juba to the UNMISS base in Malakal was attacked by suspected SPLA elements from the northern bank of the river, some 15 km west of the town of Tonga in western Upper Nile State.

One barge was struck by three rocket-propelled grenades. The UNMISS troops escorting the barges fought off the attackers. Two civilian crew members sustained minor injuries. By 29 April, the barges had reached Malakal.

19. Small-scale skirmishes continue to take place in the vicinity of Nasser and Abu Khadra near Renk, with SPLA retaining control of both locations. The hospital in Nasser and nearby sites have been extensively looted.

20. In late June, UNMISS received reports that SPLM/A in Opposition was mobilizing and training young people in Nasser and Maiwut counties, apparently in preparation for military operations to retake the town of Nasser. Some 60 to 80 heavily armed SPLA soldiers reportedly abandoned their posts in Nasser in June, allegedly as a result of delays in payment of their salaries.

21. On 20 July, SPLM/A in Opposition forces, predominantly consisting of Nuer White Army young people, launched an attack on the town of Nasser. Since then, heavy fighting has continued, in particular over control of the main SPLA base in the town. As at 21 July, 37 SPLA soldiers, six of whom were wounded, had taken shelter in the UNMISS base in Nasser after abandoning their weapons and uniforms. The attack was the first major violation of the cessation of hostilities agreement since the agreement of 10 June.

Jonglei State

22. SPLA, supported by the Ugandan army, has remained in control of the state capital, Bor. Other areas of the state remain tense, with unconfirmed reports of clashes between SPLA and SPLM/A in Opposition in Twic East, Ayod and Duk counties early in May and civilian displacement towards Awerial county in Lakes State. In Duk and Ayod counties, between 1,000 and 1,500 SPLA soldiers reportedly abandoned their posts because their salaries had not been paid. While some soldiers have since been paid in Bor, around 1,000 returned to their home communities in the Bahr el Ghazal states, reportedly to seek payment.

23. On 17 April, an armed mob of between 200 and 300 young people, under the guise of peaceful protesters seeking to present a petition to UNMISS, attacked the UNMISS site for the protection of civilians in Bor. The mob, having breached the base perimeter with machetes and guns, attacked internally displaced persons sheltering there. With the attackers inside the base, UNMISS troops used lethal force, firing at the attackers to repel them. Forty-eight internally displaced persons and three attackers were killed during the attack. Many more, including women and children, sustained machete and gunshot wounds. The Government condemned the attack and ordered an investigation into it, but is yet to hold the perpetrators to account.

Western and Northern Bahr el Ghazal

24. Tensions also began to rise in the Bahr el Ghazal region during the reporting period. In Western Bahr el Ghazal State, fighting broke out between Dinka young people and Nuer soldiers on 25 April at the Mapel SPLA barracks, resulting in an unknown number of deaths and the displacement of between 100 and 200 Nuers (including Nuer soldiers and their families) mainly to the state capital, Wau. Between 26 and 28 April, following defections by Nuer soldiers, there were additional clashes between rival SPLA factions in Wau. Insecurity continues, with

defectors resorting to banditry along major roads in the state. In Northern Bahr el Gazal State, several defections were also reported.

Central Equatoria State

25. The situation in the capital, Juba, remained tense during the reporting period. Multiple shooting incidents inside and near the SPLA barracks involving SPLA soldiers on 5 March, reportedly relating to a dispute over salary payments, led to civilian casualties. Tensions rose between members of the Dinka and Equatorian communities over the federalism debate and reportedly sparked gunfire in parts of Juba on the nights of 28 and 29 June. On 2 July, hundreds of SPLA troops were deployed to Terekeka, north of Juba, reportedly in relation to the rumoured mobilization of local ethnic Mundari forces by the state Governor, a rumour that he denied.

B. Regional dimensions of the conflict

26. Multiple external armed elements continued to be involved in the conflict in support of both sides. Sudanese Justice and Equality Movement elements reportedly fought alongside SPLA, while Sudanese Misseriya elements reportedly supported SPLM/A in Opposition during battles for key towns and oilfields in Unity State. Early in May, SPLA and Justice and Equality Movement elements looted the hospital in Bentiu and occupied international non-governmental organization and United Nations contractor premises in Bentiu and near the airstrip. On 13 May, a Sudan Liberation Army vehicle from Darfur was observed at the hospital in Bentiu. Ugandan soldiers remain deployed in Juba and Bor in support of the Government.

IV. Humanitarian situation

27. Some 3.7 million people remain at crisis and emergency levels of food insecurity. This number is projected to increase to 4 million by the end of July. More than 1.5 million people have been forced from their homes. Of those people, the more than 1.1 million displaced within South Sudan are scattered over 186 locations. An estimated 400,000 people have fled across borders to neighbouring countries, while 500,000 conflict-displaced people have settled in flood-prone areas and are at risk of multiple displacement. At the time of preparation of the present report, some 97,000 internally displaced persons were seeking refuge at UNMISS bases.

28. The significant population movements caused by fighting in Jonglei, Unity and Upper Nile States continued to jeopardize the main planting season, which runs from April to June, further exacerbating the humanitarian situation. In the Greater Upper Nile area, more than 50 per cent of the population is already at crisis or emergency levels of food insecurity. Severe acute malnutrition among children under 5 years of age has doubled since January. An estimated 223,000 children will suffer from severe acute malnutrition and up to 50,000 may die if detection and treatment services are not promptly scaled up. Millions of South Sudanese are also at risk of communicable diseases, including watery diarrhoea, hepatitis E and malaria, owing to poor sanitation and hygiene conditions and the destruction of clinics and other vital health infrastructure. As at 15 July, 4,278 cholera cases,

including 98 related deaths, had been reported throughout South Sudan, with most in Juba.

29. The agreement of 5 May between the Government and SPLM/A in Opposition on humanitarian access notwithstanding, fighting, in addition to violence against humanitarian aid workers and assets and restrictions on road and air movement by both parties, affected the ability of humanitarian partners to reach people most in need. At least five aid workers have been killed since the conflict began. National staff members of the United Nations and international non-governmental organizations continue to be targeted based on their ethnicity. March and April saw a spike in bureaucratic impediments, specifically relating to tax exemptions, delayed transportation of humanitarian relief items owing to illegal roadblocks set up by both parties and immigration issues at the airport in Juba.

30. The severe funding constraints and continued access obstructions to some locations notwithstanding, the humanitarian aid operation has been scaled up. Humanitarian aid agencies continued to accord priority to both life-saving assistance and the prepositioning of supplies as the rains render 60 per cent of the country inaccessible by road. A rapid response mechanism, which includes airdrops of humanitarian aid supplies, was implemented to deliver critical relief to communities in hard-to-reach areas. By mid-June, humanitarian partners had reached at least 1.49 million of the 4 million people targeted for assistance by December 2014 with shelter, food, health care, water and sanitation, protection and emergency education services. People affected by the conflict in a number of key areas also received HIV/AIDS treatment and palliative services through the technical and financial support of the United Nations joint team on AIDS.

31. To continue to scale up to meet the overwhelming levels of need, the humanitarian community released a crisis response plan on 14 June, revised for the period July-December 2014 to reflect updated assumptions and prioritizations. The most likely scenario suggests that, by the end of 2014, up to 1.5 million people will be internally displaced by conflict, many of whom will also be affected by floods. Up to 863,000 South Sudanese are projected to seek refuge in neighbouring countries. In addition, up to 120,000 are projected to seek refuge in UNMISS bases. The humanitarian aid operation is estimated at $1.8 billion, of which $1 billion is yet to be secured. A major humanitarian donor meeting was held in Oslo on 20 May, at which donors pledged more than $500 million for the response inside South Sudan.

A. Implementation of the Mission's reprioritized mandated tasks

Realignment of the Mission

32. Following the adoption of Security Council resolution 2155 (2014), UNMISS realigned its organizational structure and activities with the reprioritized mandated tasks. Accordingly, the Mission, in coordination with the United Nations country team, revised its protection of civilians strategy and developed a new human rights strategy and a strategy for the creation of conditions conducive to the delivery of humanitarian assistance. It also developed a concept paper setting out arrangements for supporting the implementation of the cessation of hostilities agreement. The overarching Mission concept is also being revised, while the Department of

Peacekeeping Operations and UNMISS are jointly revising the military and police concepts of operations.

Protection of civilians

33. Under the first tier of the Mission's protection of civilians strategy, protection through political processes, UNMISS and United Nations officials have continued active political engagement with all parties to stress their obligation to protect civilians and to respect international humanitarian and human rights law. Those and other messages on the impartiality of UNMISS were also delivered publicly at sites for the protection of civilians. The Mission has implemented conflict-management measures, including promoting dialogue between communities to, among other things, encourage internally displaced persons to refrain from joining the fighting.

34. UNMISS continued to engage State and non-State actors on the implementation of Security Council resolution 1325 (2000) and related resolutions on women and peace and security, in particular in the sites for the protection of civilians, focusing attention on responses to conflict-related sexual and gender-based violence and the protection of the human rights of women and girls. The Mission also initiated activities to strengthen the involvement of women in conflict management and peace processes, including by supporting the Ministry of Gender.

35. Under the second tier of its protection strategy, protection from physical violence, UNMISS continued to physically protect some 100,000 internally displaced persons in its bases in Bor (Jonglei), Malakal (Upper Nile), Juba (Central Equatoria), Bentiu and Pariang (Unity), Wau (Western Bahr el Ghazal), Rumbek (Lakes) and Melut, Renk and Nasser (Upper Nile). Sustaining the presence of such numbers of civilians in UNMISS premises continued to place a huge strain on Mission resources, given that significant military, police and engineering assets are required to protect civilians on UNMISS bases from external and internal security threats. UNMISS converted some 1.7 million m^2 of land into sites for the protection of civilians, requiring the construction of 13 km of ditch and perimeter protection and lighting and the construction of roads for patrolling. Humanitarian partners worked closely with the Mission to ensure that assistance was provided for those displaced inside the sites.

36. A combined patrol strategy, including UNMISS individual police officers and formed police units inside the sites, has also proved vital in maintaining safety and security.

37. The UNMISS military component enhanced its patrolling of urban centres, with an average of 30 patrols per day, including night patrols, in Bor, Malakal, Bentiu and Juba. UNMISS has extracted civilians from vulnerable locations such as churches, hospitals and abandoned houses, in addition to establishing safe corridors for the movement of civilians from areas of risk to protection sites, saving the lives of hundreds, and in some instances more than 1,000 people, including in Bentiu (where UNMISS troops rescued more than 600 civilians from vulnerable locations) and areas just outside Malakal.

38. Under the third tier of its protection strategy, establishing a protective environment, UNMISS expanded its early warning system into an Organization-wide early warning and response mechanism that includes the Mission and the United Nations country team. Emphasis has been placed on the development of

appropriate early response recommendations to mitigate identified threats. In accordance with Security Council resolution 2155 (2014), the UNMISS police component continues to review specific opportunities for operational coordination with the national police as part of the national police confidence- and trust-building policing initiative launched jointly with international partners. The initiative is aimed at establishing an improved security environment in Juba. It builds confidence among the communities and internally displaced persons in the national police, focusing on neighbourhoods of potential return. UNMISS operational coordination with the national police is based on strengthening the protective environment and carried out in strict compliance with the United Nations human rights due diligence policy.

39. Given the increasing levels of explosive remnants of war in conflict areas, the United Nations Mine Action Service cleared some 6 million m^2 of land of unexploded ordnance. A total of 32,877 items of unexploded ordnance have been located and destroyed from UNMISS bases, key access roads and airstrips, areas of humanitarian operations and in identified areas outside of UNMISS bases. After the fighting in Malakal and Bentiu, the Service conducted clearance activities at both airports to remove explosive remnants of war and allow UNMISS to resume air operations. It also conducted surveys and clearance activities at humanitarian agency compounds and warehouses to remove explosive remnants of war.

B. Human rights monitoring and reporting

40. On 8 May, UNMISS released its comprehensive public report on grave violations of human rights and international humanitarian law committed by both sides since mid-December 2013. The report documents the widespread negative consequences of the conflict on the human rights situation in many parts of the country, including the deliberate targeting of civilians — both nationals and foreigners — in extrajudicial and other unlawful killings, arbitrary arrest and detention, gender-based violence, enforced disappearances and ill-treatment and torture. Armed groups from both sides also vandalized, looted, burned and otherwise destroyed private homes, public buildings, markets and shops. UNMISS investigations into those and new allegations continue.

41. During the recapture of Bentiu, Unity State, by opposition forces on 15 April, multiple grave violations of human rights and international humanitarian law occurred. UNMISS found reliable information of extrajudicial killings and attacks on civilians at the hospital and the Kali-balek mosque, in addition to the looting of the towns of Bentiu and Rubkona. The capture of Bentiu by SPLM/A in Opposition led to celebrations in the UNMISS site for the protection of civilians in Bor in neighbouring Jonglei State, where almost 5,000 internally displaced persons (mostly Nuers) had sought protection. Reportedly in reaction to those celebrations, armed young people forcibly entered the site on 17 April, where they opened fire, leaving 51 people dead.

42. In the wake of the events in Bentiu and Bor, the United Nations High Commissioner for Human Rights joined my Special Adviser on the Prevention of Genocide on a visit to South Sudan from 28 to 30 April. They engaged in advocacy with the Government and SPLM/A in Opposition for active measures to protect civilians, including by preventing hate speech and incitement to commit sexual

violence. They highlighted the need for accountability measures, with an emphasis on command responsibility for violations of international humanitarian and criminal law.

43. In Juba, UNMISS received several reports of targeted attacks, arbitrary arrests and extrajudicial killings against Nuer civilians by members of the security forces. Random stop-and-search activities and unannounced house-to-house searches for weapons (that reportedly involved the harassment and intimidation of civilians) were regularly conducted. Reports of the occupation, including by members of the security forces, of houses and other property vacated by fleeing civilians continued to weigh against the return of internally displaced persons. UNMISS has also continued to observe persistent restrictions on the freedom of expression, in particular with regard to the press and civil society, notably in Juba, including the seizure of print newspapers by the National Security Service on 2 and 7 July.

44. The movement of internally displaced persons from Unity, Jonglei and Upper Nile States across state lines, inter-ethnic and intra-ethnic clashes and seasonal cattle-raiding contributed to a precarious human rights situation in other states. In Western Bahr el Ghazal State, UNMISS received reports of human rights violations, including alleged harassment and displacement of civilians by SPLA, in connection with the fighting between Dinka and Nuer elements in Wau in late April.

45. The challenges notwithstanding, UNMISS continued to carry out human rights programmes in parts of South Sudan. For example, it provided human rights training for students, women's groups, members of legislative assemblies, police officers, journalists and human rights defenders for International Women's Day on 8 March. Human rights awareness-raising was also conducted within UNMISS sites for the protection of civilians, both for community leaders and for UNMISS personnel.

46. On 7 March, the African Union appointed the five members of the commission of inquiry that it established to investigate the immediate and remote causes of the conflict, human rights violations and abuses and to recommend mechanisms to ensure accountability, reconciliation and healing. In a meeting in Juba on 25 April with the Commission, led by the former President of Nigeria, Olusegun Obasanjo, the President of South Sudan pledged his Government's full support for the Commission's work. UNMISS subsequently facilitated visits of the Commission to Malakal, Bor and Bentiu on 28, 29 and 30 May, where it received briefings from UNMISS, met state government officials, SPLA commanders, police commissioners, community members (including victims and witnesses) and religious and traditional leaders and visited conflict-affected areas. On 27 June, the Commission issued an interim report and received an extension of its mandate for three months.

47. UNMISS has received reports that an investigative committee on human rights abuses established by the President on 24 January is now considering all allegations of human rights abuses by government soldiers, police officers and security agents, in addition to groups loyal to Rick Machar. Headed by a former chief justice, the committee reportedly has no judicial authority and is mandated to report its findings and recommendations to the President. It has therefore been reported that all military investigations have been placed on hold.

48. During the reporting period, 138 incidents affecting 5,741 children (2,406 boys, 115 girls and 3,220 of unknown sex) were recorded. In total, 112 of those incidents, affecting 2,685 children, were verified. Two incidents of torture during interrogation

of children in Juba were also reported to UNMISS during interviews with the affected children. As at the end of June, 20 schools in the States of Central Equatoria, Lakes, Unity, Upper Nile and Western Bahr el Ghazal were reportedly still being used by the parties to the conflict. A total of 38,498 children (16,942 boys and 21,556 girls) affected by conflict have been reached with child protection services and 303 of 4,580 registered unaccompanied and separated children have been reunited with their families.

49. On 10 May, my Special Representative for Children and Armed Conflict successfully obtained a commitment from Riek Machar to end grave violations against children by his forces. Her subsequent visit to South Sudan from 22 to 27 June also secured commitments from the President to issuing a presidential decree to criminalize the recruitment and use of children, which would also apply to armed groups, ordering SPLA immediately to vacate all schools used by the armed forces for military purposes and expediting the accession by South Sudan to the Convention on the Rights of the Child. On 24 June, she witnessed a signing ceremony between the Minister of Defence, on behalf of the Government, and the United Nations of a recommitment agreement for the implementation of the SPLA-United Nations revised action plan to end the recruitment and use of children and other grave violations against children.

50. The Mission has received credible information on conflict-related sexual violence and other forms of sexual and gender-based violence, including against civilians seeking protection in UNMISS sites, in addition to other areas in which internally displaced persons are located. Incidents have occurred inside and in close proximity to UNMISS sites, including targeting internally displaced women who leave the sites to gather food, firewood and other necessities, allegedly perpetrated by all the parties to the conflict and by civilians. The absence of civilian justice institutions in Jonglei, Unity and Upper Nile States to process the cases of criminal acts that threaten the safety and security of civilians within UNMISS sites has resulted in longer periods of detention in UNMISS holding facilities pending the handover of suspects to the national criminal justice system.

C. Creating the conditions for delivery of humanitarian assistance

51. The Mission has been working closely with humanitarian partners to create conditions conducive to the provision of humanitarian assistance to civilians affected by the crisis. Mission assets and personnel are used to support humanitarian agencies to deliver assistance safely and to provide force protection to humanitarian convoys upon request. The significant scaling up of humanitarian operations has increased the number of requests for force protection for humanitarian convoys and United Nations facilities and assets in all affected states. This has proved a major challenge, necessitating difficult decisions on prioritization of force protection tasks. In exercise of its good offices, the UNMISS leadership has also intervened, at the request of the United Nations Humanitarian Coordinator, to raise with both parties issues of obstruction of delivery of humanitarian assistance by security forces. Concurrently, humanitarian actors are pursuing alternatives to security management so as to diminish the reliance on armed escorts and force protection.

52. In recognition of the dire conditions in the sites for the protection of civilians, UNMISS has worked with partners to prepare new sites in Juba, Bor, Bentiu and

Malakal. Relocation efforts have been initiated in all new sites to tackle the growing concerns regarding health and living conditions. As at 17 July, more than 15,000 internally displaced persons had been relocated. Their best efforts notwithstanding, the Mission's engineering and logistical support services are overstretched and have struggled to improve the existing congested sites further before the rainy season reaches its peak. Without additional resources, in particular heavy-lift aviation and engineering, military and police personnel, UNMISS will be unable to cope with a major new influx of internally displaced persons.

D. Supporting the implementation of the cessation of hostilities agreement

53. With the adoption of Security Council resolution 2155 (2014), UNMISS has been mandated to provide mobile and dedicated fixed site security to the IGAD monitoring and verification mechanism and to support the work of the mechanism as described in the cessation of hostilities agreement. Force protection availability will remain within the parameters of the UNMISS mandate, with protection of civilians remaining the clear priority. UNMISS troops from States members of IGAD will operate entirely within the UNMISS command and control architecture. The UNMISS rules of engagement are being reviewed to ensure that they remain appropriate under the revised mandate.

54. UNMISS has been working closely with the IGAD joint technical commission in Juba and provided logistical support for the deployment of IGAD monitoring and verification teams on the ground. With UNMISS logistical support, the priority teams have been successfully deployed to six locations: Bor (Jonglei State) on 1 April, Bentiu (Unity State) on 5 April, Malakal (Upper Nile State) on 15 April, Nasser (Upper Nile State) on 3 June, Melut (Upper Nile State) on 17 June and Pariang (Unity State) on 14 July. Support is being provided on a cost-reimbursable, resource-capacity and priority basis, the modalities for which are being finalized in a memorandum of understanding between UNMISS and IGAD.

55. At the headquarters level, a joint coordination mechanism has been established to assist in the deployment of and provision of logistical support to the monitoring and verification teams. At the state level, the teams coordinate their activities with the state operations centres and senior military liaison officers to ensure synergies of force protection and patrolling. Joint field visits by teams and UNMISS are also under way. Sharing of information is also coordinated through UNMISS in Juba and at the state level.

V. Mission staffing and status of deployment of surge capacity

56. UNMISS has an authorized civilian staffing level of 1,018 international staff, 1,750 national staff and 570 United Nations Volunteers. The Mission's leadership is currently conducting a civilian staffing review, which consists of an assessment of tasks performed and staffing levels authorized under the previous mandate, the impact of the crisis on planned activities and the tasks required under the new reprioritized mandate. The review is being extended to include state offices and county support bases. Consideration is being given to an integrated assessment to identify those bases that are critical to the Mission's footprint for mandate

implementation and are sustainable in terms of resources. The review will produce recommendations on staffing levels, including structural adjustments required to deliver on the new mandate effectively. The final results of the review will be presented in my next regular report to the Security Council.

57. By its resolution 2155 (2014), the Security Council established the military component of UNMISS at 12,500 troops of all ranks and the police component, including appropriate formed police units, at 1,323 personnel. As at 18 July, UNMISS strength stood at 10,398 uniformed personnel, consisting of 9,395 military personnel and 1,003 police officers from 67 contributing countries.

58. Of the surge military personnel, a total of 2,439 of the authorized additional troops had been deployed as at 18 July, including 300 Ghanaians from the United Nations Operation in Côte d'Ivoire, 586 Ethiopians, 800 personnel of the main body of the Rwandan battalion from the African Union-United Nations Hybrid Operation in Darfur and 350 personnel of the Nepalese battalion from the United Nations Stabilization Mission in Haiti. The second battalion of Ethiopians (625 troops) began deployment on 18 July. The remaining elements of the Nepalese battalion are projected to arrive in late July. The remaining 310 members of the Kenyan battalion are expected to arrive in late September. The timing of the main body of the Ghanaian battalion is being finalized.

59. The second phase of the troop surge is expected to be completed by October. By then, 23 UNMISS infantry battalions will have been deployed. The third phase of the troop reinforcement is scheduled to deliver an additional infantry battalion (from China), a force riverine unit and a tactical (armed) helicopter unit (up to three helicopters). In addition, UNMISS is assessing the possibility of strengthening the protective surveillance capability of the Mission.

60. Three additional Rwandan military utility helicopters are expected to be fully operational by the end of August. The Bangladeshi military utility helicopter unit that was on loan to UNMISS from the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo has now left South Sudan. The Sri Lankan level II hospital is now fully established in Bor, Jonglei State, and a Sri Lankan military utility helicopter unit (three helicopters) is expected to be deployed by mid-September. The Bangladeshi construction engineering company, which was due to leave South Sudan in September, is now integral to the increased force level.

61. While every effort is being made to accommodate and deploy surge troops, there have been some delays in facilitating deployment and operational readiness. In addition to movement restrictions stemming from seasonal access challenges and fighting in parts of the country, the engineering focus on constructing sites for the protection of civilians has limited infrastructure development in UNMISS bases, to the detriment of living conditions for all personnel. The severe engineering capacity constraints are compounded by the lack of reliable engineering contractors, most of whom have fled from the affected areas. UNMISS is at the limit of its logistical capacity when it comes to receiving more contingents in the short term and has had to compromise standards to facilitate the early deployment.

62. With regard to the police component, 1,003 officers have been deployed, consisting of 653 individual officers and 350 officers in three formed police units.

A fourth formed police unit is being generated, with a focus on the deployment of female personnel.

63. The revised police concept of operations will involve a major shift in tasks, including new roles and responsibilities in maintaining public order and security within sites for the protection of civilians, and specific operational coordination with the national police. It will also reflect the reconfiguration and reorganization of the police structure in view of the introduction of formed police units and the revised mandate.

64. The policy of zero tolerance towards sexual exploitation and abuse and other misconduct by personnel is strictly enforced by UNMISS. More than 2,900 UNMISS/United Nations personnel, along with contractors, humanitarian workers and non-United Nations partners, were trained during the reporting period. Training will be stepped up in the coming months and complemented with risk assessments and outreach activities. UNMISS, in collaboration with the Government, United Nations agencies, funds and programmes and civil society, is preparing to conduct outreach activities to combat sexual exploitation and abuse at all sites for the protection of civilians during July and August.

VI. Violations of the status-of-forces agreement, international humanitarian law and security of United Nations staff

65. On several occasions, senior-level government officials, including the President during his Easter message and in subsequent public statements, expressed their commitment to improving relations with UNMISS. While the President pledged to punish those who blocked the free movement of United Nations and humanitarian personnel, incidents of obstruction of United Nations work, in addition to serious anti-United Nations sentiments, have continued in some areas, having a negative impact on the safety and security of personnel. While serious individual incidents continue, there was a noticeable downward trend in the number of incidents following my meeting with the President on 6 May and his recent public statements.

66. A total of 101 violations of the status-of-forces agreement involving UNMISS personnel, property and goods were recorded during the reporting period. They included restriction and obstruction of movement for United Nations land, water and air operations, illegal entry into UNMISS premises, commandeering of UNMISS assets, arrests and detention and assaults, harassment and threats of violence towards UNMISS personnel. Other restrictions included denial of entry of United Nations personnel into South Sudan, hindrance to United Nations entities delivering humanitarian services and interference with movements of United Nations local staff on the basis of their ethnic affiliation. There was a spike in incendiary rhetoric against the United Nations and related incidents in the immediate aftermath of the incident of 3 March in Rumbek, Lakes State, when representatives of the Government stopped an UNMISS convoy and discovered ammunition intended for the Ghanaian surge troops omitted from the cargo container manifest.

67. United Nations agencies, funds and programmes and UNMISS experienced obstruction in the freedom of movement of assets and personnel on the part of armed forces and elements on both sides, in particular in relation to helicopter

flights and mobile patrols. With regard to UNMISS personnel, property and goods, SPLM/A in Opposition forces were responsible for seven incidents (restriction of movement, attacks against UNMISS compounds, personnel and property and harassment and threats of violence towards UNMISS personnel). Unknown perpetrators were responsible for 19 incidents against UNMISS (assault and harassment of personnel, theft and seizure of United Nations property and attacks on United Nations property directed against UNMISS). Government agents were responsible for 75 incidents.

68. UNMISS and United Nations officials continued to engage government officials at all levels with a view to ensuring respect for the status-of-forces agreement. On several occasions, UNMISS protested against and provided the Government with detailed lists of specific violations, requesting the Government to investigate them and take appropriate action to ensure accountability. To date, the Government has responded to such requests in only a small number of cases, and no outcome of any investigations has been shared with UNMISS.

VII. Financial aspects

69. The General Assembly, by its resolution 68/293, authorized the Secretary-General to enter into commitments for the Mission in a total amount not exceeding $580,830,400 for the period from 1 July 2014 to 30 June 2015. As at 22 July, unpaid assessed contributions to the UNMISS special account amounted to $486.1 million. Total outstanding assessed contributions for all peacekeeping operations as at the same date amounted to $3,143.2 million. As at 22 July, reimbursement of troop-contributing Governments for troop- and contingent-owned equipment costs had been made for the period to 30 April 2014 and 31 March 2014, respectively, in accordance with the quarterly payment schedule.

VIII. Observations

70. In April and early May, South Sudan witnessed a surge in large-scale fighting between SPLA and SPLM/A in Opposition over control of the capital of Unity State, Bentiu, and the state's oilfields and the related targeted killing of hundreds of civilians from particular communities, in addition to an attack on civilians sheltering in the UNMISS site for the protection of civilians in Bor, Jonglei State. That surge in violence, the deteriorating humanitarian situation in the country and the lack of genuine commitment to peace displayed by both parties placed South Sudan on the edge of a precipice.

71. Intense international engagement, including by IGAD Heads of State, the United States, the United Nations and other partners convinced the parties to step back from the brink. I thank all Member States concerned for their efforts. I also travelled to South Sudan to personally impress upon the Government and Riek Machar the consequences of their actions. Thereafter, the President and Riek Machar met in Addis Ababa on 9 May for the first time since the outbreak of the conflict and recommitted themselves to upholding the cessation of hostilities agreement signed on 23 January.

72. Notwithstanding their subsequent official commitment to engaging in inclusive political negotiations under the auspices of IGAD, the President and Riek Machar continue to backtrack on their agreements and question the modalities of the peace process. This has cast serious doubt on their political will to seek a political resolution to the conflict.

73. The lull in large-scale hostilities notwithstanding, the Government and SPLM/A in Opposition are endeavouring to consolidate their respective power bases and reach out to the political and security constituencies of their opponents. They also continue to mobilize forces, amass weapons and undermine the conditions necessary for the protection of civilians and the life-saving work of humanitarian agencies and UNMISS. On 20 July, SPLM/A in Opposition attacked Nasser. There are also alarming signs of preparation by SPLM/A in Opposition for attacks on Bentiu and Bor. With tensions spreading in the greater Bahr el Gazal region and the Equatorias, in addition to deliberate misinformation campaigns aimed at dividing communities, the risk of a nationwide conflict looms dangerously over the country.

74. I have impressed upon the President and Riek Machar the need to cease all hostilities immediately and engage in negotiations in Addis Ababa in good faith. They must provide their complete and unconditional support to the IGAD mediation team, which has the full backing of the African Union, the United Nations and the international community. They must stop all mobilization, arms purchases and political activities aimed at strengthening one side against the other.

75. As South Sudan enters its fourth year of independence, I recall the hopes and expectations of the people when their country was established on 9 July 2011. They expected the political elite to lead the new country from the challenges of decades of war to a period of peace, prosperity and the rule of law. Those leaders have failed the people of South Sudan. They have failed to make the anticipated progress in State-building, nation-building and economic development. They have brought the country back to the worst violence and human rights abuses of its history.

76. The ethnic dimensions of the conflict have engendered not only tremendous tragedy, but also anger between communities and the urge for revenge. I will do my utmost to ensure that those responsible for the atrocities committed in South Sudan, including alleged war crimes and crimes against humanity, are brought to justice. I welcome the continuing work of the African Union commission of inquiry in this regard. South Sudan, with the assistance of the international community, must put into place effective accountability and reconciliation measures that meet international standards.

77. The South Sudanese people are bearing the brunt of their leaders' failure to stop the fighting. They are living in squalor, their livelihoods have been lost and they are plagued by hunger, disease and insecurity. More than 1.5 million people have been driven from their homes. I urge the international community to meet the humanitarian funding requirements for assistance to the people of South Sudan.

78. While I welcome the fact that the Government and the SPLM/A in Opposition leadership have recommitted themselves to not disrupting UNMISS, United Nations country team and humanitarian operations, I have noted, with deep concern, both parties' continued failure to respect the status-of-forces agreement and provide humanitarian access. More than words are required. Violent attacks against United Nations and humanitarian personnel and premises, restrictions on freedom of

movement and harassment must cease. UNMISS must be allowed by all parties to impartially implement its newly mandated tasks, in particular its heightened responsibilities to protect civilians, without impediments.

79. As mandated by the Security Council in its resolution 2155 (2014), UNMISS will continue to dedicate all its efforts to protecting civilians, in particular those facing the greatest threats, promoting human rights, including through public reporting of violations and abuses, creating conditions conducive to the provision of humanitarian assistance and supporting inter-communal and national dialogue processes. As the Mission receives additional troops, and based on its early warning system, it will continue to widen the scope of its physical protection activities, including beyond its protection sites.

80. I am, however, concerned that, even with the additional authorization of 5,500 troops and enablers, in addition to formed police units, UNMISS has reached the limits of its resources. My request in March for those additional resources was based on displacement figures in the high hundreds of thousands, and on a total of 70,000 civilians seeking shelter inside UNMISS bases. Today, the situation is far bleaker. Some 4 million South Sudanese are at crisis or emergency levels of food insecurity. The risk of famine is high and increasing. More than 1.5 million people have been displaced, nearly 100,000 of whom are seeking protection inside UNMISS bases, including a staggering 43,000 alone in the UNMISS base in Bentiu, Unity State. Moreover, the levels of insecurity and crime and the severe health concerns — together with the growing political influence over elements in the camps — have placed significant strain on management capability.

81. This will not be a short-term crisis. It is likely that we will not see significant returns until as early as 2015. Sites for the protection of civilians in UNMISS bases are not a sustainable solution for the internally displaced persons who are being protected there. Without additional resources to improve living conditions, the sites, which were a solution designed for an emergency situation, will soon reach a tipping point. It is therefore imperative that sustainable immediate, medium-term and long-term solutions and resources be found to assist the internally displaced.

82. Additional support from Member States is required, including on a bilateral basis, for the expeditious and rapid deployment of military reinforcements. There is also a need for in-kind contributions of military engineering capacity from Member States and additional formed police units, including female officers. The Department of Peacekeeping Operations and the Department of Field Support are reaching out to Member States in this regard.

83. Such capacity would help UNMISS to extend its protection capacity and create conditions conducive to the provision of humanitarian assistance. In the environment of South Sudan, with few roads and torrential rains, and the reliance on air transportation, this will be an expensive and difficult undertaking. Even then, the United Nations and its partners will be able to reach only a limited number of people. I am, nevertheless, committed to ensuring that the most vulnerable are protected. UNMISS, the United Nations agencies and partners have helped to save tens of thousands of lives and will continue to do so. I call upon international donors and bilateral partners to step up their support to meet the financial, logistical and human resource requirements of UNMISS and humanitarian agencies.

84. In closing, I wish to express my deep gratitude to all the military, police and civilian personnel of UNMISS, who, under the able leadership of my Special Representative, Hilde F. Johnson, and the Force Commander, Major-General Delali Johnson Sakyi, have worked diligently and courageously to help to protect and assist the people of South Sudan, in often perilous circumstances. I take this opportunity to reiterate my thanks to the Member States that have contributed personnel and assets to the Mission. I am also most grateful to the personnel of the United Nations agencies, funds and programmes and the non-governmental organizations that have provided much-needed humanitarian and emergency assistance in extremely challenging and risky conditions. I pay tribute to those who have lost their lives in the performance of their duties.

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Security Council

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Note by the Secretary-General

The Secretary-General has the honour to transmit herewith to the Security Council the report of the Board of Auditors on the financial statements of the United Nations Compensation Commission for the biennium ended 31 December 2013.

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Report of the Board of Auditors to the Security Council on the financial statements of the United Nations Compensation Commission for the biennium ended 31 December 2013

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Letter of transmittal

Letter dated 30 June 2014 from the Chair of the Board of Auditors addressed to the Secretary-General

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Compensation Commission for the biennium ended 31 December 2013.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

I. Report of the Board of Auditors on the financial statements: audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Compensation Commission for the biennium ended 31 December 2013, which comprise the statement of income and expenditure and changes in reserves and fund balances (statement I), the statement of assets, liabilities, reserves and fund balances (statement II), the statement of cash flows (statement III) and the notes to the financial statements.

Management's responsibility for the financial statements

The Secretary-General is responsible for the preparation and fair presentation of the financial statements in accordance with the United Nations system accounting standards and for such internal control as he deems necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or to error.

Auditor's responsibility

It is the responsibility of the auditor to express an opinion on the financial statements based on the audit. The Board of Auditors conducted the audit in accordance with the International Standards on Auditing. Those standards require that the auditor comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Board of Auditors believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the audit opinion.

Opinion

In the opinion of the Board, the financial statements present fairly, in all material respects, the financial position of the United Nations Compensation Commission as at 31 December 2013 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the United Nations Compensation Commission that have come to the notice of the Board, or that it tested as part of the audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules, the Board is also issuing a long-form report on the audit of the United Nations Compensation Commission (see sect. II).

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor General of China

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General of the
United Republic of Tanzania

30 June 2014

II. Long-form report of the Board of Auditors

Summary

The Board has audited the financial statements of the United Nations Compensation Commission for the biennium ended 31 December 2013, which have been prepared under United Nations system accounting standards. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations, as well as the International Standards on Auditing.

Audit opinion

In the opinion of the Board, the financial statements present fairly, in all material respects, the financial position of the Compensation Commission as at 31 December 2013 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards.

In its audit report for the previous biennium, the Board included an emphasis of matter on the recognition of only the cash proceeds from the sales of Iraqi oil and the impact of cash and barter transactions and deficiencies in metering systems in Iraq. As the deficiencies in metering systems and lack of income from barter transactions have been addressed, the Board no longer considers it necessary to retain an emphasis of matter drawing attention to this issue.

Key findings

Completion of the Compensation Commission's mandate

The Commission estimates that it should receive sufficient receipts from oil proceeds to discharge the remaining $8.9 billion compensation award to Kuwait during 2015. Following the settlement of the awards, its core mandate will be fulfilled. The Secretariat and the Governing Council now need to agree on an action plan to wind up the Commission, which should include both the administrative arrangements for closing the Commission and any wider decisions to be taken by the Governing Council and Security Council.

Projects under the Follow-up Programme for Environmental Awards

The Commission is also responsible for the oversight of the restoration and remediation projects under the Follow-up Programme for Environmental Awards arising from environmental damage caused during the 1991 Gulf War. In April 2011, in its decision 269, the Governing Council determined that the programme could be concluded in the near term, subject to the establishment of systems and controls by the participating Governments and the receipt of signed assurances providing for the maintenance of such systems and controls and for the use of award funds for completion of the projects. During 2013, the programme was concluded and the withheld funds were released.

Implementation of International Public Sector Accounting Standards

The Compensation Commission's 2014 financial statements will be prepared under International Public Sector Accounting Standards (IPSAS). These will look considerably different as the Commission acts as an agent in the collection of oil receipts and the settlement of compensation payments. These significant transactions will not be recognized as revenue and expenses, respectively, and will not be presented in the performance statement. The Commission may therefore consider including additional disclosures in the notes to the financial statements on these core transactions to provide useful and relevant financial information on its primary mandate.

Overall conclusion

The Board found no significant errors, omissions or misstatements that would affect its opinion on the financial statements of the Commission. With payment of the remaining outstanding award expected in 2015 and the conclusion of the Follow-up Programme for Environmental Awards, the Commission is approaching the completion of its mandate and should make firm plans to ensure the orderly wind-down of its activities. Notwithstanding this, the Commission implemented IPSAS on 1 January 2014 and has established appropriate accounting polices under the revised reporting framework, though it now needs to develop appropriate disclosures to provide useful and relevant financial information on the core mandate activities.

Recommendations

In the light of the findings above the Board recommends that the Compensation Commission:

(a) **Continue to monitor the projected completion date for compensation payments to Kuwait and establish a formal liquidation plan for the orderly winding-up of its activities for approval by the Governing Council;**

(b) **Develop comprehensive disclosure notes on the oil proceeds and compensation payments for its IPSAS financial statements and sensitize the Governing Council to the forthcoming changes in the form and content of the financial statements.**

Follow-up of previous recommendations

All six recommendations from the biennium 2010-2011 have been fully implemented (see annex to chapter II).

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the United Nations Compensation Commission and has reviewed its operations for the financial period ended 31 December 2013 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations and Governing Council decisions, as well as the International Standards on Auditing. The latter standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of the Compensation Commission as at 31 December 2013 and its financial performance and cash flows for the biennium then ended, in accordance with the United Nations system accounting standards. This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditure had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the Security Council. The Board's report was discussed with the management of the Compensation Commission, whose views have been appropriately reflected.

B. Findings and recommendations

1. Progress towards the completion of the Compensation Commission's mandate

Oil proceeds and compensation payments

4. Under Security Council resolution 1483 (2003), the Compensation Commission receives 5 per cent of revenues from Iraqi oil exports to discharge outstanding compensation awards following the 1991 Gulf War. For the 2012-2013 biennium, oil proceeds yielded $9.1 billion (compared with $6.5 billion for the previous biennium). This 40 per cent increase is attributable to rising oil prices and increased oil production in Iraq.

5. At the beginning of the biennium, there were six outstanding compensation awards for $18.0 billion due to Kuwait. Payments are made quarterly based on oil income receipts, a total of $9.1 billion was paid during the biennium (compared with $6.1 billion for the previous biennium). As at 31 December 2013, the outstanding balance was $8.9 billion.

Fulfilment of the Commission's mandate

6. On the completion of its mandate, the Commission will be wound up. The projected date of the final settlement of the remaining award to Kuwait has

implications for the planning of the Commission's closure and finalizing its activities.

7. Due to fluctuations in Iraqi oil production and oil prices, forecasting the future receipts from oil proceeds is inherently uncertain. However, the Commission now estimates that it may receive sufficient proceeds to discharge the remaining $8.9 billion compensation awards in 2015. At that point, the Commission's mandate will be fulfilled. The Commission therefore needs to consider the administrative challenges that the winding-up will create. These include the responsibility for the management and retention of data and information related to the Commission, the accountability arrangements for closing financial statements and the mechanism for the disposal of residual assets, such as the operating reserves, under the Commission's control. It should also establish and agree on a formal liquidation plan with its legislative bodies, covering the required activities and resources for the timely winding-up of the organization.

8. **The Commission agreed with the Board's recommendation that it monitor the projected completion date for compensation payments to Kuwait and establish a formal liquidation plan for the orderly winding-up of the Commission's activities for approval by the Governing Council.**

9. The Commission informed the Board that it had been working on establishing a liquidation plan and had requested the Office of Internal Oversight Services to review its preparedness. The liquidation of the Commission is also now a standing item on the Governing Council's agenda.

2. Mandate under the Follow-up Programme for Environmental Awards

Background

10. In addition to paying the compensation awards approved by the Governing Council, the Commission was also responsible for the Follow-up Programme for Environmental Awards, established to monitor the technical and financial implementation of the environmental projects in the four participating Governments that incurred environmental damage during the 1991 Gulf War.

11. Twelve environmental awards and 14 monitoring and assessment awards totalling $4.36 billion were subject to the Programme. These include:

(a) Fifteen awards totalling $3.03 billion for Kuwait, with the largest projects relating to remediation of areas damaged by oil contamination and restoration of damage to terrestrial resources;

(b) Eight awards totalling $1.16 billion for Saudi Arabia, with the largest projects relating to remediation of damage to coastal resources and areas damaged by military presence and by airborne pollutants;

(c) One award of $161 million for Jordan, for cooperative rangeland restoration as a result of damages suffered from an influx of refugees from Iraq and Kuwait;

(d) Two awards totalling $521,000 for the Islamic Republic of Iran, for remediation of refugee campsites and a public health study.

Framework of controls

12. In its decision 258, the Governing Council established various mechanisms to ensure that participating Governments used the funds for the intended purpose. They included the submission of biannual reports from the national focal points within each Government and the establishment of independent reviewer teams with the requisite technical and financial expertise to review the reports for the Commission. The Council also directed the participating Governments to establish special accounts, through which the project awards less the amounts withheld, would be administered.

13. In April 2011, the Council confirmed that it would not be necessary for the monitoring to continue until the end of the projects and that the purpose and goals of the Programme could be fulfilled in the near-term. It decided that the mandate would be fulfilled after assessing the adequacy of the participating Governments' systems and controls for the management, project plans, treasury, finance and procurement actions and after the Governments concerned provided assurances over the maintenance of the systems and controls and for the use of the award funds for the successful completion of the projects.

14. On receiving the assurances from the participant Governments, and in accordance with Governing Council decisions, the Commission released $1.027 billion in withheld funds and accrued interest to Iran, Kuwait and Saudi Arabia in late 2013. In January 2014, withheld funds and interest of $40.7 million was released to Jordan.

15. Under the oversight of the Governing Council, a cumulative total of $757 million of the $4.3 billion total awards was released from the special accounts for project implementation. With the Commission's mandate under the Programme fulfilled, the respective national focal points are now responsible for the overall technical and financial oversight of the use of the awards, including authorizing the release of the remaining award funds.

Annual reporting to the Governing Council

16. Recipient Governments are now required to report annually to the Governing Council and, following its dissolution, to the Security Council, on the maintenance of the systems and controls, the use of the funds in the Special Accounts and the progress of the environmental projects, until such time as all projects are completed.

3. Implementation of International Public Sector Accounting Standards

Background

17. The Commission implemented International Public Sector Accounting Standards (IPSAS), in accordance with the United Nations-wide IPSAS implementation plan, on 1 January 2014. The accruals basis of accounting under IPSAS recognizes transactions and other events when they occur, not only when cash or its equivalent is received or paid. The transactions and events are recorded in the accounting records and recognized in the financial statements for the periods to which they relate. The adoption of IPSAS will have no impact on the underlying financial transactions or activities of the Commission, but introduces new terminology and changes the way in which transactions are treated and presented in the financial statements.

Progress towards IPSAS implementation

18. In its previous report (S/2012/605), the Board recommended that the Commission develop IPSAS-compliant accounting policies and prepare shadow financial statements under the IPSAS reporting standards. The primary purpose of that recommendation was to encourage the Commission to consider how receipts from oil proceeds and compensation payments would be presented in a set of IPSAS-compliant financial statements.

19. The United Nations, in consultation with the Commission, recognized that the Commission is responsible only for the administration of the funds. The United Nations does not underwrite the liability towards the claimant and therefore the outstanding balance is not a liability of the Commission. The Commission's proposed accounting treatment is to recognize a liability only for the amount received from the Government of Iraq. The oil proceeds will not be recognized as revenue, but as a liability. In other words, the amounts collected are held on behalf of the remaining claimant Government, pending settlement of compensation claims.

20. The Commission's administrative expenses will be recognized as an expense in the performance statement and matched by revenue transferred from the funds held to meet the liability for compensation claims. In the absence of the oil proceeds and claim payments, these transaction streams will be significantly more prominent in the Commission's financial statements.

21. While the Board agrees with the proposed accounting treatment under IPSAS, the Commission should consider additional disclosures in the notes to the financial statements regarding the settlement of compensation claims, to provide useful and relevant financial information on the core mandate activities.

22. **The Commission agreed with the Board's recommendation that it develop comprehensive disclosure notes on the oil proceeds and compensation payments for its IPSAS financial statements and sensitize the Governing Council to the forthcoming changes in the form and content of the financial statements.**

23. The Commission informed the Board that the Secretariat has incorporated the requirement to develop comprehensive disclosure notes in the IPSAS plan and will sensitize the Governing Council after conducting a financial statement simulation as at 30 June 2014.

C. Disclosures by management

24. The Commission informed the Board that there were no write-offs of losses of cash, receivables or property in the biennium. It also reported no ex gratia payments, fraud or presumptive fraud for biennium 2012-2013. None were identified through the audit work of the Board.

D. Acknowledgement

25. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Head, the Chief of Finance and Administration and other staff at the Commission, and those who support them in Geneva and New York.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor General of China

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General of the
United Republic of Tanzania

30 June 2014

Annex

Status of implementation of recommendations

Recommendations fully implemented by the Commission

Summary of 2010-2011 recommendation	*Paragraph reference*	*Financial period first made*	*Action by the United Nations Compensation Commission*	*Board's view on the action*
Actively resolve and settle, where appropriate, the non-material compensation claims by December 2013	15	2010/11	The non-material compensation claims were resolved and settled during the 2012-13 biennium	Recommendation implemented
Continue to follow up on the findings of the Development Fund for Iraq and successor audits	20	2010/11	The latest audit reports on the Development fund acknowledges that the metering of Iraqi oil exports is now up to industry standards	Recommendation implemented
Make a decision on the treatment of the historic shortfall such that the issue is resolved by December 2013	24	2010/11	The Governing Council considers that the previous non-monetary shortfall to be immaterial and therefore closed	Recommendation implemented
Renew its efforts to ensure that the completed projects meet their outstanding reporting requirements so that withheld funds can be returned before 31 December 2013	31	2010/11	All withheld funds have now been paid out	Recommendation implemented
Review the operating reserve and make any surplus available for compensation payments	33	2010/11	The Commission reduced its operating reserve during the biennium	Recommendation implemented
Actively engage with the United Nations IPSAS Task Force to identify the impact of IPSAS on the Commission, develop IPSAS-compliant financial statements, pro forma financial statements and notes relevant to the Commission's circumstances by 31 December 2012, and produce shadow IPSAS-compliant financial statements for 2013	37	2010/11	The Commission and the United Nations have considered the financial reporting of its key account balances, transactions and activities under IPSAS and accordingly developed IPSAS-compliant accounting policies	Recommendation implemented

III. Certification of the financial statements

Letter dated 31 March 2014 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the United Nations Compensation Commission established pursuant to Security Council resolution 692 (1991) for the biennium ended 31 December 2013 have been prepared in accordance with financial rule 106.10.

The summary of significant accounting policies applied in the preparation of the financial statements is included as notes to the statements. The notes provide additional information and clarifications for the financial activities undertaken by the Commission during the period covered by the statements, for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations Compensation Commission established pursuant to Security Council resolution 692 (1991), numbered I to III, are correct.

(*Signed*) Maria Eugenia **Casar**
Assistant Secretary-General
Controller

IV. Financial report for the biennium ended 31 December 2013

Introduction

1. The Secretary-General has the honour to submit herewith the financial report on the accounts of the United Nations Compensation Commission for the biennium ended 31 December 2013. The accounts consist of three statements and the related notes.

2. The present report is designed to be read in conjunction with the financial statements. Attached hereto is an annex, which includes supplementary information that is required by the Financial Regulations and Rules of the United Nations to be reported to the Board of Auditors.

Background

3. The Compensation Commission is a subsidiary organ of the Security Council. It was established in accordance with Security Council resolutions 687 (1991) and 692 (1991) to process claims and pay compensation for direct losses and damage suffered by individuals, corporations, Governments and international organizations as a direct result of the invasion and occupation of Kuwait by Iraq (2 August 1990-2 March 1991).

4. The Commission is currently composed of the Governing Council and the Secretariat. The Governing Council is the policymaking organ of the Commission. Its composition is the same as that of the 15-member Security Council at any given time. The Secretariat, headed by the Executive Head, services and provides assistance to the Governing Council.

Operations

5. Funds to pay compensation are drawn from the United Nations Compensation Fund, which receives a percentage of the proceeds generated by the export sales of Iraqi petroleum and petroleum products. This percentage has been set at 5 per cent since its reduction from 25 per cent under Security Council resolution 1483 (2003). In its resolution 1956 (2010), the Security Council reaffirmed the 5 per cent and further decided that 5 per cent of the value of any non-monetary payments of petroleum, petroleum products and natural gas made to service providers shall also be deposited into the Compensation Fund.

6. From its inception until the completion of claims processing in early 2005, more than 2.6 million claims were received by the Commission within the filing deadlines. The Commission has resolved all of the claims submitted, consisting of the claims of individuals for departure from Kuwait or Iraq (category "A" claims), the claims of individuals for serious personal injury or death (category "B" claims), the claims of individuals for losses up to $100,000 (category "C" claims), the claims of individuals for losses over $100,000 (category "D" claims), the claims of corporations, other private legal entities and public sector enterprises (category "E" claims), and the claims of Governments and international organizations (category "F" claims). In total, approximately $52.3 billion has been awarded as compensation to successful claims. As at 31 December 2013, the Commission had made available to Governments and international organizations approximately $43.4 billion for distribution to successful claimants in all categories.

7. The Governing Council has adopted various payment mechanisms concerning the priority of the payment of claims. The current mechanism was adopted at the Council's sixty-eighth session in November 2009. Pursuant to Governing Council decision 267, payments are made on a quarterly basis utilizing all available funds in the Compensation Fund.

8. In addition to the payment of successful claims, the main ongoing activity of the Secretariat includes overseeing the Follow-up Programme for Environmental Awards, which was established in December 2005 by Governing Council decision 258 to monitor the technical and financial implementation of approximately $4.3 billion of environmental remediation and restoration projects being undertaken with funds awarded in the F4 category of claims. The Programme is funded by the participating Governments, namely, the Islamic Republic of Iran, Jordan, Kuwait and Saudi Arabia, through contributions proportional to the value of their awards.

9. In April 2011, the Governing Council adopted decision 269, by which it provided that the mandate of the Programme would be fulfilled upon the participating Governments' establishment of enumerated structural systems and controls and the provision of adequate assurances for their maintenance and for the use of the award funds for the successful completion of the projects and a determination to that effect by the Governing Council.

10. In May 2013, the Governing Council adopted decision 270, by which it declared the Programme mandate to be fulfilled in the case of Saudi Arabia, subject to the receipt of signed assurances as required under its decision 269, and to be closed in respect of the Islamic Republic of Iran. In November 2013, the Council adopted decision 271, by which it declared the Programme mandate to be fulfilled in the cases of Jordan and Kuwait, also subject to the receipt of signed assurances. As at 31 December 2013, signed assurances had been received from Saudi Arabia and Kuwait, with Jordan's assurances received in early January 2014.

11. A special account was established in 2009 in order to account for funds withheld pursuant to Governing Council decisions 258 and 266 in respect of the total F4 environmental awards that are subject to the Follow-up Programme for Environmental Awards, and accrued interest thereon. In accordance with Council decision 268 of November 2009, interest accrued on the withheld funds is transferred to the respective Governments annually for the implementation of the environmental projects.

Overview

12. The Compensation Fund is operated in accordance with the Financial Regulations and Rules of the United Nations. It finances the payments of compensation awards decided by the Commission as well as the administrative costs (with the exception of the Follow-up Programme for Environmental Awards). The income to the Fund for the biennium 2012-2013 increased by 39.7 per cent, from $6,562.2 million in the previous biennium to $9,165.7 million, as a result of increases in oil prices and production.

13. Expenditures during the biennium 2012-2013 amounted to $9,161.6 million comprising compensation awards of $9,154.4 million, which represents 99.9 per cent of the total expenditure, administrative expenditures of $3.0 million in respect of the Commission's activities funded by the Compensation Fund and $4.2 million in respect

of the activities under the Follow-up Programme for Environmental Awards, which is funded by the participating Governments. This compares with total expenditures of $6,167.8 million in the previous biennium, comprising compensation awards of $6,161.6 million, administrative expenditures of $2.7 million and $3.5 million, respectively, for the above activities. The increase of 48.6 per cent in payment of the compensation awards is due to the increased revenue referred to in paragraph 12. Administrative expenses reflect an increase mainly with respect to the Follow-up Programme for Environmental Awards, which was fully staffed through the biennium 2012-2013, as well as the costs associated with the intensification of the collaboration with the participating Governments in the light of decision 269 of the Governing Council.

14. Pursuant to its decision 252, the Governing Council decided that any unrecovered overpayments awarded in respect of competing business claims would be recovered from the final payments to the concerned Governments. Furthermore, at its sixty-first session, in 2006, the Council decided, inter alia, that the remaining balance in respect of duplicate awards from Kuwait should be recovered through an offset from the final payments of its compensation awards. Overall, as at 31 December 2013, there remained a receivable amount of $4.9 million, which is expected to be recovered from the final payments to Kuwait.

15. As at 31 December 2013, the total funds withheld from the environmental awards as per the applicable provisions of decisions 258 and 266, together with the accrued interest to be paid to the participating Governments, amounted to $43.3 million, comprising $40.8 million for Jordan, $2.1 million for Kuwait and $0.4 million for Saudi Arabia.

16. The end-of-service liabilities of after-service health insurance, repatriation benefits and unused vacation days were all determined on an actuarial basis, as described in note 7 to the financial statements. Compared with the total accrued liabilities for end-of-service and post-retirement benefits of $6.0 million as at 31 December 2011, the total accrued liabilities had increased to $6.7 million as at 31 December 2013, comprising accrued liabilities for after-service health insurance of $6.3 million, for repatriation benefits of $0.2 million and for termination indemnity of $0.2 million. The increase is attributable primarily to an overall decrease of the discount rates from 2011 to 2013.

Annex

Supplementary information

1. The present annex provides supplementary information that the Secretary-General is required to provide.

Write-off of losses of cash and receivables

2. In accordance with financial rule 106.7 (a), there were write-offs of receivables for the United Nations Compensation Commission totalling $462.60 during the biennium 2012-2013.

Write-off of losses of property

3. In accordance with financial rule 106.7, there were no write-offs of non-expendable property loss during the biennium 2012-2013.

Ex gratia payments

4. There were no ex gratia payments during the biennium 2012-2013.

V. Financial statements for the biennium ended 31 December 2013

United Nations Compensation Commission[a]

I. Statement of income and expenditure and changes in reserves and fund balances for the biennium ended 31 December 2013

(Thousands of United States dollars)

	Compensation Fund	*Follow-up Programme for Environmental Awards*[b]	*Funds withheld from Environmental Awards*[c]	*Eliminations*[d]	*Total 2013*	*Total 2011*
Income						
Allocations from other organizations[e]	9 151 729	–	–	–	9 151 729	6 539 008
Contributions from claimant Governments	–	4 908	–	–	4 908	4 134
Interest income	12 377	53	13 254	–	25 684	60 100
Other/miscellaneous income	1 573	96	–	–	1 669	624
Total income	**9 165 679**	**5 057**	**13 254**	**–**	**9 183 990**	**6 603 866**
Expenditure						
Staff and other personnel costs	2 229[f]	2 724	–	–	4 953	4 356
Travel	77[f]	260	–	–	337	157
Contractual services	115[f]	–	–	–	115	102
Operating expenses	489[f]	1 239	–	–	1 728	1 574
Acquisitions	6[f]	–	–	–	6	15
Compensation awards	9 154 434	–	–	–	9 154 434	6 161 630
Total expenditure	**9 157 350**	**4 223**	**–**	**–**	**9 161 573**	**6 167 834**
Excess (shortfall) of income over expenditure	**8 329**	**834**	**13 254**	**–**	**22 417**	**436 032**
Non-budgeted accrued (expense) for after-service health insurance[g]	(802)	(138)	–	–	(940)	(2 046)
Prior period adjustments	(19)	–	–	–	(19)	(2 325)
Net excess (shortfall) of income over expenditure	**7 508**	**696**	**13 254**	**–**	**21 458**	**431 661**
Cancellation of prior-period obligations	57	13	–	–	70	30
Other adjustments to reserve and fund balances	–	–	(13 232)[h]	–	(13 232)	(37 424)
Reserves and fund balances, beginning of period	1 069 673	2 283	–	–	1 071 956	677 689
Reserves and fund balances, end of period	**1 077 238**	**2 992**	**22**	**–**	**1 080 252**	**1 071 956**

[a] See note 1.
[b] See note 4.
[c] See note 5.
[d] Upon combination of the columns, transactions between the columns are eliminated for a fair presentation of the "Total" column.
[e] Represents 5 per cent of the proceeds from Iraqi oil sales deposited into Oil Proceeds Receipts Account pursuant to Security Council resolutions 1483 (2003) and 1956 (2010). See note 1 (c) and (d).
[f] Administrative expenses are financed from the operating reserve.
[g] Represents net increase in after-service health insurance liabilities during 2012-2013.
[h] Interest earned is payable to F4 claimant Governments under the Environmental Programme and shown in the "Other accounts payable" line in Statement II. See note 5.

The accompanying notes are an integral part of the financial statements.

United Nations Compensation Commission[a]
II. Statement of assets, liabilities and reserves and fund balances as at 31 December 2013

(Thousands of United States dollars)

	Compensation Fund	*Follow-up Programme for Environmental Awards*[b]	*Funds withheld from Environmental Awards*[c]	*Eliminations*[d]	*Total 2013*	*Total 2012*[e]
Assets						
Cash and term deposits	24 830	–	47	–	24 877	5 686
Main cash pool[f]	1 050 821	3 470	44 154	–	1 098 445	2 136 690
Inter-fund balances receivable	3 191	–	–	(913)	2 278	2 762
Other accounts receivable	4 975[g]	2	–	–	4 977	5 000
Deferred charges	7	–	–	–	7	29
Total assets	**1 083 824**	**3 472**	**44 201**	**(913)**	**1 130 584**	**2 150 167**
Liabilities						
Unliquidated obligations — current period	144	31	–	–	175	198
Inter-fund balances payable	–	93	837	(913)	17	–
Other accounts payable	103	6	43 342[h]	–	43 451	1 071 992
End-of-service and post-retirement liabilities	6 339[i]	350[j]	–	–	6 689	6 021
Total liabilities	**6 586**	**480**	**44 179**	**(913)**	**50 332**	**1 078 211**
Reserves and fund balances						
Operating reserve	10 039[k]	2 992	–	–	13 031	46 584
Cumulative surplus	1 067 199	–	22	–	1 067 221	1 025 372
Total reserves and fund balances	**1 077 238**	**2 992**	**22**	**–**	**1 080 252**	**1 071 956**
Total liabilities and reserves and fund balances	**1 083 824**	**3 472**	**44 201**	**(913)**	**1 130 584**	**2 150 167**

[a] See note 1.
[b] See note 4.
[c] See note 5.
[d] Upon combination of the columns, transactions between the columns are eliminated for a fair presentation of the "Total" column.
[e] Comparative figures have been reclassified to conform to current presentation.
[f] Represents share of the main cash pool and comprises cash and term deposits of $229,582,436, short-term investments of $437,757,960, long-term investment of $429,599,969 and accrued interest receivable of $1,505,194. See note 6.
[g] Includes $4,965,000 relating to duplicate and other claims to be recovered from the final payments of compensation awards to Kuwait.
[h] Represents funds withheld to be released to the F4 claimant Governments under the Environmental Programme upon a declaration by the Governing Council that the programme mandate has been fulfilled under decision 269 (2011). See note 5.
[i] Represents accrued liabilities for after-service health insurance costs of $6,043,000, for repatriation benefits of $76,000, for unused vacation days of $20,000 and for termination indemnity of $200,000. See note 2 (m) (vi) and note 7.
[j] Represents accrued liabilities for after-service health insurance costs of $281,000, for repatriation benefits of $61,000 and for unused vacation days of $8,000.
[k] During 2012, $3,462,000 was transferred from operating reserve to finance the Commission's 2012-2013 administrative budget. In addition, $30,800,000 was transferred to the fund balance for payment of the remaining outstanding awards, resulting in an operating reserve balance of $10,039,000 as of 31 December 2013.

The accompanying notes are an integral part of the financial statements.

United Nations Compensation Commission[a]
III. Statement of cash flows for the biennium ended 31 December 2013

(Thousands of United States dollars)

	Compensation Fund	*Follow-up Programme for Environmental Awards*[b]	*Funds withheld from Environmental Awards*[c]	*Eliminations*[d]	*Total 2013*	*Total 2011*
Cash flows from operating activities						
Net excess (shortfall) of income over expenditure (Statement I)	7 508	696	13 254	–	21 458	431 661
(Increase) decrease in inter-fund balances receivable	(460)	28	3	913	484	(2 761)
(Increase) decrease in other accounts receivable	16	7	–	–	23	110 433
(Increase) decrease in deferred charges	22	–	–	–	22	(16)
Increase (decrease) in unliquidated obligations	(13)	(10)	–	–	(23)	(242)
Increase (decrease) in inter-fund balances payable	–	93	837	(913)	17	–
Increase (decrease) in other accounts payable	(56)	(27)	(1 028 458)	–	(1 028 541)	222 857
Increase (decrease) in deferred income	–	–	–	–	–	(4 134)
Increase (decrease) in end-of-service and post-retirement liabilities	595	73	–	–	668	2 252
Less: interest income	(12 377)	(53)	(13 254)	–	(25 684)	(60 100)
Net cash flows from operating activities	**(4 765)**	**807**	**(1 027 618)**	**–**	**(1 031 576)**	**699 950**
Cash flows from investing activities						
Interest income	12 377	53	13 254	–	25 684	
Net cash flows from investing activities	**12 377**	**53**	**13 254**	**–**	**25 684**	**60 100**
Cash flows from financing activities						
Cancellation of prior-period obligations	57	13	–	–	70	30
Transfer to other funds	–	–	–	–	–	–
Other adjustments to reserves and fund balances	–	–	(13 232)	–	(13 232)	(37 424)
Net cash flows from financing activities	**57**	**13**	**(13 232)**	**–**	**(13 162)**	**(37 394)**
Net increase (decrease) in cash and term deposits and cash pools	7 669	873	(1 027 596)	–	(1 019 054)	722 656
Cash and term deposits and cash pools, beginning of period	1 067 982	2 597	1 071 797	–	2 142 376	1 419 720
Cash and term deposits and cash pools, end of period	**1 075 651**	**3 470**	**44 201**	**–**	**1 123 322**	**2 142 376**

[a] See note 1.
[b] See note 4.
[c] See note 5.
[d] Upon combination of the columns, transactions between the columns are eliminated for a fair presentation of the "Total" column.

The accompanying notes are an integral part of the financial statements.

United Nations Compensation Commission
Notes to the financial statements

Note 1
United Nations Compensation Commission

(a) The United Nations Compensation Commission was established in 1991 in accordance with Security Council resolution 692 (1991) to process and pay claims for direct loss, damage or injury arising from the invasion and occupation of Kuwait by Iraq. Under that same resolution, the Council decided to establish a compensation fund, from which to pay successful claims;

(b) By its resolution 705 (1991), the Security Council adopted the Secretary-General's recommendation that the level of Iraq's contribution to the Compensation Fund would not exceed 30 per cent of the value of its exports of petroleum and petroleum products. By its resolution 986 (1995), the Council approved the allocation of 30 per cent of the proceeds from the sale of Iraqi oil to the Fund. Following Council resolution 1330 (2000), the allocation to the Fund was decreased from 30 per cent to 25 per cent effective 6 December 2000;

(c) By its resolution 1483 (2003), the Security Council reduced the level of Iraq's contribution to the Compensation Fund, effective 22 May 2003, to 5 per cent;

(d) By its resolution 1956 (2010), the Security Council reaffirmed the level of 5 per cent established in its resolution 1483 (2003). By the same resolution, the Council decided that 5 per cent of the value of any non-monetary payments of petroleum, petroleum products and natural gas made to service providers shall also be deposited into the Compensation Fund. These requirements are binding on the Government of Iraq, unless the Government and the Governing Council of the Compensation Commission decide otherwise.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations Compensation Commission

(a) The accounts of the United Nations Compensation Commission are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly and the rules formulated by the Secretary-General as required under the regulations and administrative instructions issued by the Under-Secretary-General for Management, or the Controller. They also take fully into account the United Nations system accounting standards, as adopted by the United Nations System Chief Executives Board for Coordination. The Commission follows International Accounting Standard 1, "Presentation of financial statements", on the disclosure of accounting policies, as modified and adopted by the Chief Executives Board, as shown below:

(i) Going concern, consistency and accrual are fundamental accounting assumptions of the United Nations system accounting standards. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. These policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Commission's accounts are maintained on a fund-accounting basis. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing, double-entry group of accounts. Financial statements reflect the activities of each fund or of a group of funds of the same nature.

(c) The financial period of the Commission is a biennium and consists of two consecutive calendar years. These financial statements have been prepared for the biennium ended 31 December 2013, with comparative prior figures presented for the biennium ended 31 December 2011.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting.

(e) The financial statements of the Organization are presented in United States dollars, which is the functional and presentation currency of the United Nations. Accounts maintained in other currencies are translated into United States dollars at the time of the transactions at rates of exchange established by the United Nations. In respect of such currencies, the financial statements reflect the cash, investments and current accounts receivable and payable in currencies other than the United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates at the date of the statements would provide a valuation materially different from the application of the United Nations rates of exchange for the last month of the financial period, a footnote will be provided quantifying the difference.

(f) The Commission's financial statements are prepared on the historical cost basis of accounting, and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The statement of cash flows is based on the indirect method of cash flow as referred to in the United Nations system accounting standards.

(h) The Commission's financial statements are presented in accordance with the ongoing recommendations of the Task Force on Accounting Standards to the High-level Committee on Management.

(i) The results of the Commission's operations presented in statements I, II, and III are shown by general type of activity as well as on a combined basis for all

funds. Their presentation on a combined basis does not imply that the various separate funds can be intermingled in any way, since, normally, resources may not be utilized between funds.

(j) Income:

(i) Allocations from other funds represent monies appropriated or designated from one fund for the transfer to and disbursement from another fund;

(ii) Income received under inter-organizational arrangements represents allocations of funding from agencies to enable the Commission to administer projects or other programmes on their behalf;

(iii) Interest income includes all interest earned on deposits in various bank accounts, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pools. All gains/losses on investments and foreign exchange differences relating to the cash pools are offset against investment income. Investment income and costs associated with the operation of investments in the cash pools are allocated to participating funds;

(iv) Miscellaneous income includes awards no longer payable to claimants owing to expiration of the deadline established by the Governing Council at its fifty-sixth session, income from the sale of used or surplus property, refunds of expenditures charged to prior periods, income from net gains resulting from currency translations, monies accepted for which no purpose was specified, and other sundry income;

(v) Income for future financial periods is not recognized in the current financial period and is recorded as deferred income as referred to in note 2 (m) (iii).

(k) Expenditure:

(i) Expenditure is incurred against authorized allotments. Total expenditure reported includes unliquidated obligations and disbursements;

(ii) Expenditure incurred for non-expendable property is charged to the budget of the period when acquired and are not capitalized. Inventory of such non-expendable property is maintained at historical cost;

(iii) Expenditure for future financial periods is not charged to the current financial period and is recorded as deferred charges as referred to in note 2 (l) (v) below.

(l) Assets:

(i) Cash and term deposits represent funds held in demand deposit accounts and interest-bearing bank deposits;

(ii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the pools. The investments in the cash pools are stated at their fair value and include marketable securities and other negotiable instruments acquired to produce income. The share in the cash pools is reported separately in each participating fund's statement and the composition

of its investments is disclosed in the footnotes to the statements. Currently, the Compensation Commission participates only in the main cash pool. Additional details are provided in note 6;

(iii) Inter-fund balances reflect transactions between funds, and are included in the amounts due to and from the United Nations General Fund. Inter-fund balances also reflect transactions directly with the United Nations General Fund. Inter-fund balances are settled periodically dependent upon availability of cash resources;

(iv) Provision for delays in collection of receivable balances is not made;

(v) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. These expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(vi) For purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(vii) Maintenance and repairs of capital assets are charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Commission. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in notes to the financial statements (see note 8);

(m) Liabilities and reserves and fund balances:

(i) Operating reserves are included in the totals for reserves and fund balances shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes income received but not yet earned;

(iv) Current-period obligations remain valid for 12 months following the end of the biennium to which they relate, after which the remaining balances are cancelled and returned to the Compensation Fund as savings on or cancellation of prior period obligations;

(v) Other accounts payable include amounts withheld with respect to environmental projects pursuant to Governing Council decisions 258 (2005) and 266 (2009), which shall be released in phases, upon the successful completion of the related projects;

(vi) Accrued liabilities for end-of-service and post-retirement benefits comprise those for after-service health insurance, repatriation benefits, unused vacation days and termination indemnity. The liabilities for after-service health insurance, repatriation benefits and unused vacation days are determined on an actuarial basis. The liability for termination benefits is based on current costs, without discounting or other adjustments;

(vii) Contingent liabilities, if any, are disclosed in the notes to the financial statements.

The United Nations is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined benefit plan. An actuarial valuation of the Pension Fund's assets and pension benefits is prepared every two years. As there is no consistent and reliable basis for allocating the related liabilities/assets and costs to individual organizations participating in the plan, the United Nations is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan; thus the United Nations share of the related net liability/asset position of the Pension Fund is not reflected in the financial statements. The Organization's contribution to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, currently 7.9 per cent of the applicable pensionable remuneration for the participant and 15.8 per cent for the Organization, together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Pension Fund as at the valuation date. As at the reporting date of the current financial statement, the General Assembly had not invoked that provision.

(n) The change from the United Nations system accounting standards to the International Public Sector Accounting Standards (IPSAS):

(i) The United Nations is transitioning from the use of the United Nations system accounting standards to IPSAS, which will guide presentation of the financial statements of the United Nations, including those of the Compensation Commission, commencing from the 2014 financial year. Hence, the present financial statements are the last statements that will be prepared on the basis of the United Nations system accounting standards;

(ii) IPSAS are based on full accrual accounting, which means that all assets and liabilities are presented on the face of the financial statements and expenses and revenues are recognized when incurred/earned, irrespective of the cash flows. IPSAS also require significantly more note disclosures in the financial statements;

(iii) IPSAS require annual financial statements; commencing from the 2014 financial year, IPSAS-compliant financial statements will be prepared and audited annually.

Note 3
Statements I, II and III

(a) Income from 5 per cent of proceeds from all export sales of Iraqi oil:

(i) Further to Security Council resolution 1483 (2003), by which the Council called for the deposit of 5 per cent of proceeds from all export sales of Iraqi petroleum, petroleum products and natural gases into the Compensation Fund, and Council resolution 1956 (2010), by which it called for the deposit of 5 per cent of the value of any non-monetary payments from those sales, income is recognized when the deposit is actually received by the Fund. The cash basis for recognition of this income is appropriate, considering a lack of reliable information to determine 5 per cent of proceeds that may have accrued but not yet received as of the reporting date, and also considering that such amount is neither under the control of, nor utilizable by the Fund. Cash received is shown in the "Allocations from other organizations" line under the income section in statement I.

(ii) In its authority over the arrangements for ensuring payments are made to the Compensation Fund, the Governing Council continues to monitor the deposit of revenues to the Fund. At its seventy-sixth session, in November 2013, the Governing Council noted its continued satisfaction with the transfer of 5 per cent of Iraq's oil revenues to the Fund, as required under Security Council resolution 1483 (2003), which has been under the oversight of Iraq's Committee of Financial Experts since July 2011. The Governing Council also noted its satisfaction with the deposit of the equivalent of 5 per cent of the value of non-monetary payments to service providers as required under Security Council resolution 1956 (2010). The amount of $568.1 million was deposited to the Fund over the course of the biennium in relation to such transactions; $211.7 million in 2012 and $356.4 million in 2013.

(iii) In the Secretary-General's fifth report pursuant to paragraph 6 of resolution 1956 (2010) evaluating Iraq's continued compliance with the provisions of paragraph 21 of resolution 1483 (2003), issued on 18 December 2013 (S/2013/749), the Secretary-General concluded that the Government of Iraq remains committed to complying with its obligations.

(b) Compensation awards. As at 31 December 2013, compensation awards that have been approved by the Governing Council of the Commission but not yet paid or obligated pending receipt of funds from the sales of oil proceeds further to Security Council resolutions 1483 (2003) and 1956 (2010) stood at approximately $8.9 billion.

(c) Awards of interest. In March 2005, the Governing Council adopted decision 243, in which it decided that no interest would be paid on awards of compensation. The decision was communicated to all entities that had submitted claims.

(d) Duplicate and other claims. By its decision 252 of 29 September 2005, the Governing Council decided that any unrecovered overawarded amounts in respect of competing business claims would be recovered from the final payments to the concerned Governments. In this regard, an amount of $3.1 million remains outstanding from Kuwait as at 31 December 2013. Furthermore, at its sixty-first session, in November 2006, the Governing Council decided, inter alia, that the

remaining balance of $1.8 million in respect of duplicate awards from Kuwait should be recovered through an offset from the final payments of compensation awards to Kuwait. Therefore, as at 31 December 2013, the overall remaining amount expected to be recovered from the final payments of compensation awards to Kuwait was $4.9 million.

Note 4
United Nations Compensation Commission Follow-up Programme for Environmental Awards

The Governing Council created the Programme by its decision 258 in December 2005 in consultation with the Government of Iraq and the participating Governments of the Islamic Republic of Iran, Jordan, Kuwait and Saudi Arabia, as a mechanism for monitoring the financial and technical aspects of various environmental projects being undertaken by the claimant Governments with $4.3 billion in funds awarded by the Commission. The Programme was financed by the participating Governments through contributions from their respective shares of specified awards.

In April 2011, the Governing Council adopted decision 269, by which it provided that the mandate of the Programme would be fulfilled upon the participating Governments' establishment of enumerated structural systems and controls and the provision of adequate assurances for their maintenance and for the use of the award funds for the successful completion of the projects and a determination to that effect by the Council.

In May 2013, the Governing Council adopted decision 270, by which it declared the Programme mandate to be fulfilled in the case of Saudi Arabia, subject to the receipt of signed assurances as required under decision 269, and closed in respect of the Islamic Republic of Iran. In November 2013, the Council adopted decision 271, by which it declared the Programme mandate to be fulfilled in the cases of Jordan and Kuwait, also subject to the receipt of signed assurances. As at 31 December 2013, signed assurances had been received from Saudi Arabia and Kuwait, with Jordan's assurances received in early January 2014.

Note 5
Funds withheld under the Follow-up Programme for Environmental Awards

A special account was established in order to account for funds withheld pursuant to Governing Council decisions 258 and 266, and accrued interest thereon. The Council decided, in its decision 258 of December 2005, to withhold 15 per cent of the total F4 environmental awards subject to the Programme from the last payment to each of the participating Governments, and to release the withheld amounts upon satisfactory completion of the environmental projects. In April 2009, the Council further decided, in its decision 266, that an additional amount equivalent to 10 per cent of the value of each of the five phased environmental projects with awards greater than $50 million should be retained pending further decisions of the Council. The funds withheld by the Compensation Commission under decisions 258 and 266 are retained in the special account in the United Nations. Furthermore, in accordance with decision 268, adopted by the Council in 2009, interest accrued on the funds is to be transferred to the respective Governments annually to be used for the implementation of the environmental projects. Decision 269 provides that, upon a determination by the Council that the

mandate has been fulfilled, withheld funds under decisions 258 and 266 along with any accrued interest remaining under decision 268 are to be released to the participating Governments. With the adoption of decisions 270 and 271, as set out in note 4, the withheld funds under decisions 258 and 266 and accrued interest to 30 June 2013 in respect of Saudi Arabia, the Islamic Republic of Iran and Kuwait were transferred to the respective Governments by 31 December 2013. Following the receipt of the signed assurances from Jordan in early January 2014, withheld funds and interest accrued to 30 June 2013 were transferred in January 2014. Interest accrued from 1 July 2013 in respect of all four participating Governments remains to be paid.

Note 6
Cash pool

(a) Background:

(i) The United Nations Treasury centrally invests surplus funds on behalf of the United Nations Secretariat, including the United Nations Compensation Commission. Such surplus funds are combined in two internally managed cash pools, which invest in major segments of the money and fixed income markets. Pooling the funds has a positive effect on overall investment performance and risk because of economies of scale and the ability to spread yield curve exposures across a range of maturities;

(ii) Investment activities of the cash pools are guided by the principles contained in the Investment Management Guidelines. An investment committee periodically assesses compliance with the Guidelines and makes recommendations for updates thereto, and also reviews performance.

(b) Investment management objectives: further to the Guidelines, the investment objectives of the cash pools, in order of priority, are the following:

(i) Safety: ensure the preservation of capital;

(ii) Liquidity: ensure sufficient liquidity to enable the United Nations and participating entities to readily meet all operating requirements. Only assets which have a readily available market value and can be easily converted to cash are held;

(iii) Return on investment: attain a competitive market rate of return taking into account investment risk constraints and the cash flow characteristics of the pools. Benchmarks determine whether satisfactory market returns are being achieved in the cash pools.

(c) Cash pools:

(i) United Nations Headquarters Treasury manages investments in two cash pools — the main cash pool and the euro cash pool:

a. Effective 1 July 2013, the United Nations Headquarters and the United Nations Offices Away from Headquarters cash pools were combined to form the main cash pool. The main cash pool now comprises operational bank account balances and investments in United States dollars.

b. The euro cash pool comprises investments in euro currency; the pool participants are mostly offices away from Headquarters that may have surplus of euros from their operations.

(ii) The Commission participates in the main cash pool only, which is invested in a variety of securities. Such securities may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The main cash pool does not invest in derivative instruments, asset-backed, mortgage-backed or equity products;

(iii) Investment transactions are now accounted for on a trade-date basis, reflecting a change from settlement date to trade date; the 2011 figures have not been restated as the impact of the change has been deemed to be immaterial. Investment income is recognized on the accrual basis; transaction costs that are directly attributable to the investment activity of the cash pool are expensed as incurred in the cash pool and the net income is distributed proportionately to the funds participating in the cash pool; operational bank account fees are not netted but distributed to cash pool participants. The unrealized market gains/losses on securities and foreign exchange gains/losses are distributed proportionately to all participants based on their end of year balances;

(iv) Gains and losses on the sale of investments are calculated as the difference between the sales proceeds and book value and are reflected in the net income distributed to the cash pool participants;

(v) As at 31 December 2013, investments in the main cash pool have been revalued at fair value. The 31 December 2011 comparative figures represent the book value of investments. The 2011 figures have not been restated as the impact of the change in valuation has been deemed to be immaterial.

(d) Financial information pertaining to the main cash pool:

(i) As at 31 December 2013, the main cash pool held total assets of $9,548.7 million; of that amount $49.3 million was due to the Tribunal, as reflected against the cash pool line in statement II (statement of assets, liabilities and reserves and fund balances);

(ii) Financial information of the main cash pool as at 31 December 2013 is summarized in table 1.

Table 1
Summary of assets and liabilities of the main cash pool as at 31 December 2013
(Thousands of United States dollars)

	Main pool
Assets	
Short-term investments[a]	5 687 907
Long-term investments[a]	3 734 459
Total investments	**9 422 366**
Cash	113 200
Accrued investment income	13 084
Total assets	**9 548 650**
Liabilities	
Payable to the Commission	1 098 445
Payable to other main cash pool participants not reported in Vol. I	8 450 205
Total liabilities	**9 548 650**
Net assets	–

Summary of net income of the main cash pool for the biennium ended 31 December 2013
(Thousands of United States dollars)

	Main pool
Income	
Investment revenue	96 592
Realized gains on sales of securities	24 643
FX adjustments	4 241
Unrealized gains (losses)	4 811
Net income from investments	**130 287**
Bank fees	(1 083)
Net income from operations	**129 204**

[a] Fair value.

(e) Composition of the main cash pool:

Table 2 shows a breakdown of investments held in the main cash pool by type of instrument:

Table 2
Investments of the main cash pool by type of instrument as at 31 December 2013
(Thousands of United States dollars)

Main cash pool	*Book value*	*Fair value[a]*
Bonds		
Non-United States agencies	2 073 122	2 077 421
Non-United States sovereigns	670 963	674 773
Supranationals	250 075	250 246
United States agencies	555 494	556 492
United States treasuries	1 597 161	1 592 050
Subtotal	**5 146 815**	**5 150 982**
Discounted instruments	2 138 208	2 138 849
Certificate of deposits	250 000	250 003
Term deposits	1 882 532	1 882 532
Total investments	**9 417 555**	**9 422 366**

[a] Fair value is determined by the independent custodian based on valuations of securities that are sourced from third-parties.

(f) Financial risk management:

The main cash pool is exposed to a variety of financial risks including credit risk, liquidity risk, currency risk and market risk (which includes interest rate risk and other price risks), as described below:

(i) Credit risk:

The Guidelines require that investments not be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made. The credit ratings used are those determined by the major credit-rating agencies; Standard & Poor's and Moody's are used to rate bonds and commercial paper, and the Fitch Viability Rating is used to rate bank term deposits.

The credit ratings of the issuers whose securities were held in the main cash pool are shown in table 3.

Table 3
Investments of the main cash pool by credit ratings as at 31 December 2013
(Thousands of United States dollars)

Main pool	*Total**	*Ratings*
Bonds	5 150 982	S&P: 32.3% AAA and 63.1% AA+/AA; 4.6% NR; Moody's: 81.9% Aaa and 18.1% Aa1/Aa3
Discounted instruments	2 138 849	S&P: 71.7% A-1+ and 24.1% NR; Moody's: 95.8% P-1; Fitch: 4.2% aa-
Certificates of deposits	250 003	S&P: 40% A-1; Moody's: 40% P-1; Fitch: 60% a+/a-
Term deposits	1 882 532	Fitch: 58.6% aa- and 41.4% a+/a/a-
Total investments	**9 422 366**	

* Represents the book value of securities as at 31 December 2013.

(ii) Liquidity risk:

The main cash pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet commitments as and when they fall due. The major portion of the pool's cash and cash equivalents and investments are available within one day's notice to support operational requirements. Hence, the main cash pool is able to respond to withdrawal needs in a timely manner, and liquidity risk is considered to be low.

(iii) Currency risk:

Currency risk is the risk that the value of investments denominated in non-United States dollars will fluctuate owing to changes in foreign exchange rates versus the United States dollars. The main cash pool has no currency risk for its investments which are in United States dollars. The main pool has currency risk for operational bank balances.

(iv) Interest rate risk:

Interest rate risk is the risk of variability in investments' values due to change in interest rates. In general, as interest rate rises, the price of a fixed rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed rate security's duration, with duration being a number expressed in years. The larger the duration, the greater the interest rate risk;

The main cash pool is exposed to interest rate risk as their holdings comprise interest-bearing securities. As at 31 December 2013, the main cash pool invested primarily in securities with shorter terms to maturity, with the maximum term being less than four years. The average duration of the main cash pool was 0.92 years, which is considered to be an indicator of low interest rate risk;

Table 4 shows how fair value of the main cash pool as at 31 December 2013 would increase or decrease should the overall yield curve shift in response to changes in interest rates. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). However, in view of the current interest rate environment, the basis point shifts should be considered to be illustrative.

Table 4
Sensitivity of the main cash pool to interest rates as of 31 December 2013

Shift in yield curve (Basis points)	*Change in fair value, main cash pool (Millions of United States dollars)*
(200)	174
(150)	130
(100)	87
(50)	43
0	(0)
50	(43)
100	(87)
150	(130)
200	(174)

(v) Other price risk:

The main cash pool is not exposed to significant other price risk, as it does not sell short, or borrow securities, or purchase securities on margin, all of which limits the potential loss of capital.

Note 7
Accrued liabilities for end-of-service and post-retirement benefits

(a) End-of-service and post-retirement benefits comprise after-service health insurance coverage, repatriation benefits, commutation of unused vacation days and termination indemnity. As disclosed in note 2 (m) (vi), the liabilities for after-service health insurance, repatriation benefits and unused vacation days are determined on an actuarial basis by an independent, qualified actuarial firm. The liability for termination benefits is based on current costs, without discounting or other adjustments.

(b) After-service health insurance:

(i) Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and 5 years for those who were recruited prior to that date. This benefit is referred to as after-service health insurance;

(ii) The major assumptions used by the actuarial firm to determine the liabilities for after-service health insurance as at 31 December 2013 were:

a. A single equivalent discount rate of 1.85 per cent based on a weighted blend of three discount rate assumptions, in United States dollars, euros and Swiss francs (previously, a single equivalent discount rate of 4.5 per cent was used based only on high-quality corporate bonds denominated in United States dollars);

b. A flat health-care yearly escalation rate of 5.0 per cent for non-United States medical plans and health-care escalation rates of 7.3 per

cent for all other medical plans (except 6.3 per cent for the United States Medicare plan and 5.0 per cent for the United States dental plan), grading down to 4.5 per cent over 10 years;

c. Retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund in making its own actuarial valuation of pension benefits;

(iii) In the context of after-service health insurance valuation, contributions by all plan participants should also be considered in determining the Commission's residual liability. Thus, contributions from retirees are deducted from the gross liability and a portion of the contributions from active staff is also deducted to arrive at the Commission's residual liability in accordance with cost-sharing ratios authorized by the General Assembly. These ratios require that the Commission's share not exceed one half for non-United States health plans, two thirds for United States health plans and three quarters for the Medical Insurance Plan;

(iv) On the basis outlined in subparagraphs (ii) and (iii) above, the present value of the accrued liability as at 31 December 2013 was estimated at $6,324,000, net of contributions from plan participants. The net liability of $6,324,000 compares to an estimate of $5,614,000 as at 31 December 2011;

(v) Further to the assumptions in subparagraph (ii) above, it is estimated that the present value of the liability would increase by 26 per cent and decrease by 20 per cent if the medical trend cost increased or decreased by 1 per cent, respectively, all other assumptions remaining constant. Similarly, it is estimated that the accrued liability would increase by 27 per cent and decrease by 20 per cent if the discount rate decreased or increased by 1 per cent, respectively, all other assumptions remaining constant.

(c) Repatriation benefits:

(i) Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based on length of service, and travel and removal expenses. Those benefits are collectively referred to as repatriation benefits;

(ii) As referred to in note 2 (m) (vi), an actuarial firm was engaged to carry out an actuarial valuation of repatriation benefits as at 31 December 2013. The major assumptions used by the actuarial firm were a single equivalent discount rate of 2.89 per cent, annual salary increases consistent with the rates used by the Pension Fund in making its own actuarial valuation of pension benefits, and travel and shipment cost increases of 2.5 per cent per annum;

(iii) On the basis of those assumptions, the present value of the accrued liability for repatriation benefits as at 31 December 2013 values was estimated at $137,000.

(d) Unused vacation days:

(i) Upon end of service, staff members holding fixed-term or continuing appointments may commute up to a maximum of 60 unused vacation days;

(ii) As referred to in note 2 (m) (vi), an actuarial firm was engaged to carry out an actuarial valuation of the liability associated with unused vacation days as at 31 December 2013. The major assumptions used by the actuarial firm were a single equivalent discount rate of 4.40 per cent and an annual rate of increase in accumulated annual leave balances of 10.9 days in each of the first three years, 1 day per year in the fourth to eighth year and 0.5 days annually thereafter, capping at an accumulation of 60 days. Salaries are assumed to increase annually at rates consistent with those used by the Pension Fund in making its own actuarial valuation of pension benefits;

(iii) On the basis of these assumptions, the present value of the accrued liability for unused vacation days as at 31 December 2013 was estimated at $28,000.

(e) Termination indemnity: some staff members are entitled to a termination indemnity should the Commission terminate their appointments. The Commission's liability for such costs as at 31 December 2013 is estimated to be $200,000.

Note 8
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is not included in the fixed assets of the Commission but is charged against the current allotment in the year of purchase. The Commission's non-expendable property, valued at historical cost as at 31 December 2013 and 2011, is set out in table 5.

Table 5
Non-expendable property value

(Thousands of United States dollars)

	2013	*2011*
Balance as at 1 January	245	263
Add: acquisitions	15	22
Less: dispositions	(133)	(40)
Other adjustments	43	–
Balance as at 31 December	**170**	**245**

Note 9
Future operations

The Secretariat's principal areas of activity relate to servicing the Governing Council, the arrangements for ensuring that deposits are made to the Compensation Fund and payment of the remaining outstanding award under decision 267, which, as at 31 December 2013, was approximately $8.9 billion.

In addition, with the adoption of Governing Council decisions 270 and 271 relating to the Follow-up Programme for Environmental Awards, the Secretariat is also focusing on winding down activities, including the release of the remaining accrued interest, the archiving of the programme documents, the preparation of a

final accounting to the participating Governments on the administrative expenditures of the Secretariat in respect of the Programme, and the return of any remaining funds in accordance with the proportional budgetary contribution of each Government.

Given the current levels of income to the Compensation Fund and recent projections, it is estimated that the outstanding award balance will be paid in full by mid-2015. As the mandate of the Commission is nearing its conclusion, the Secretariat is also focusing on other liquidation-related activities necessary to wind the Commission down.

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Illegal Israeli actions in Occupied East Jerusalem and the rest of the Occupied Palestinian Territory

Security Council
Sixty-ninth year

Identical letters dated 25 July 2014 from the Permanent Observer of the State of Palestine to the United Nations addressed to the Secretary-General, the President of the General Assembly and the President of the Security Council

On this eighteenth day of the Israeli military aggression against the Palestinian civilian population in the Gaza Strip, the Palestinian death toll has climbed to more than 840 people, including at least 190 children and 40 elderly persons, and more than 5,300 Palestinians have been injured.

More than 160,000 Palestinian civilians have been displaced, as desperate civilians continue to flee destroyed homes and neighbourhoods and fear has impelled the majority of these civilians to seek refuge in United Nations schools and facilities as the Israeli attacks continue by air, land and sea. Using all means of heavy weaponry, the Israeli occupying forces are causing human devastation as well as the massive destruction of civilian properties, including homes, hospitals and schools, and infrastructure, with more than 1 million people now affected by the destruction of electricity, water and sanitation networks. Moreover, United Nations premises have not been immune from this Israeli campaign of wanton destruction, as shown by the attack yesterday on an elementary school of the United Nations Relief and Works Agency for Palestine Refugees in the Near East in Beit Hanoun, which claimed the lives of at least 17 Palestinian civilians.

The destabilizing impact of this Israeli military aggression has reached beyond the Gaza Strip into the West Bank, where outrage at the Israeli attacks on Gaza and deep resentment have also gripped the population, leading to widespread protests and unrest, including in Occupied East Jerusalem, where the occupying Power continued to severely restrict the entry of Palestinian worshippers to Al-Haram Al-Sharif, even during this Muslim holy month of Ramadan. Yesterday, tens of thousands of Palestinians took part in a peaceful civilian demonstration, marching from Ramallah to the Qalandiya checkpoint imposed by Israel between the city and Jerusalem. At Qalandiya, as in other areas of the West Bank, including in Bethlehem, Al-Khalil, Beit Ummar and Nablus, demonstrators were met with

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excessive, lethal force by the Israeli occupying forces, which resulted in the killing of several Palestinian civilians and the injury of scores of people.

Among the casualties of Israel's brutality in the West Bank were: Hashem Abu Maria (age 47), Tayeb Abu Shehada (age 22), Sultan Al-Zaaqiq (age 30), Mohammed Eyad Al-Araj (age 19), Abdelhamid Ahmed Ebreighith (age 39), Mahmoud Saleh Hamamrah (age 36), Majd Sufyan (age 27) and Eid Rabah Fdeilat (age 28). Also killed was a Palestinian youth, Khalid Azmi Yousef (age 18), who was shot by settler terrorists that fired from their car at a crowd protesting near Nablus.

Among those killed in the ongoing Israeli airstrikes and bombings in Gaza were:

- Jihad Hassan Hamad (age 20) was killed in an Israeli bombing in Rafah.
- Imad Abu Kamil (age 20) was killed in an Israeli attack on Al-Mughraqa in central Gaza. Also killed in an Israeli strike in the area were Tariq Zahad (age 22) and Samer Abu Kamil (age 26).
- Maram Fayyad, a 26-year-old woman, died of injuries from an Israeli attack in Deir Al-Balah.
- Shayma Hussein Abdelqader Qannan (age 23) was killed in Israeli shelling on her family home in Deir Al-Balah. She was pregnant and doctors at Al-Aqsa hospital were able to save her baby.
- Rasmiya Salama, a 24-year-old woman, died of injuries sustained in an attack in Khan Younis.
- Two more bodies were pulled from the rubble of destroyed homes in the Al-Zeitoun neighbourhood of Gaza City: Muhammed Yassin Siyam and Rami Muhammed Siyam.
- Salah Ahmad Abu Hassanain (age 45) and his two sons, Abdel Aziz (age 14) and Abdelhadi (age 9), were killed in an Israeli airstrike on their home in Rafah.
- Walid Said Al-Harazin (age 5) was killed by Israeli fire in the Al-Shujaiya neighbourhood.
- Najat Ibrahim al-Najjar, a 35-year-old woman, was killed and five others were injured when their house was targeted in Khan Younis.
- The body of Iyad Nasser Sharab was pulled from under the rubble of his house, which was targeted in an Israeli strike in southern Gaza.
- Sharif Muhammad Hassan (age 27), Muhammad Khalil Hamad (age 18) and Mamdouh Ibrahim Al-Shawwaf (age 25) were killed in an Israeli shelling on Khan Younis.

Israel's blatant disregard for Palestinian life is repeatedly proven in the growing list of casualties resulting from its wanton use of force against the civilian population, which the occupying Power is obligated to protect but to which it persistently causes harm and suffering. We thus reiterate our calls upon the international community to urgently act to compel Israel to stop this onslaught against the Palestinian people and act to provide urgently needed protection to them.

The Security Council, in line with its Charter duties, must address this crisis, which clearly constitutes a threat to international peace and security. The ongoing diplomatic efforts in the region do not absolve the Council of its responsibilities. The Council must adopt a resolution that demands, inter alia, an end to the Israeli aggression in Gaza and respect of international law, including for the protection of civilians and for an end to the collective punishment of our people, including an end to the illegal Israeli blockade of Gaza, and that calls for the provision of emergency assistance to alleviate the humanitarian crisis so ruthlessly inflicted on the Palestinian civilian population. We call upon the Security Council to shoulder its responsibilities in order to save human lives and avert further devastation and destabilization of this already grave situation.

This letter is in follow-up to our 511 letters regarding the ongoing crisis in the Occupied Palestinian Territory, including East Jerusalem, which constitutes the territory of the State of Palestine. These letters, dated from 29 September 2000 (A/55/432-S/2000/921) to 24 July 2014 (A/ES-10/644-S/2014/530) constitute a basic record of the crimes being committed by Israel, the occupying Power, against the Palestinian people since September 2000. For all of these war crimes, acts of State terrorism and systematic human rights violations being committed against the Palestinian people, Israel, the occupying Power, must be held accountable and the perpetrators must be brought to justice.

I should be grateful if you would arrange to have the text of the present letter distributed as a document of the tenth emergency special session of the General Assembly, under agenda item 5, and of the Security Council.

(*Signed*) Riyad **Mansour**
Ambassador, Permanent Observer
of the State of Palestine to the United Nations

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Security Council

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The Security Council,

Recalling all its previous relevant resolutions on Iraq, in particular 1500 (2003), 1546 (2004), 1557 (2004), 1619 (2005), 1700 (2006), 1770 (2007), 1830 (2008), 1883 (2009), 1936 (2010), 2001 (2011), 2061 (2012), 2110 (2013), and resolution 2107 (2013) on the situation between Iraq and Kuwait,

Reaffirming the independence, sovereignty, unity and territorial integrity of Iraq,

Emphasizing the importance of the stability and security of Iraq for the people of Iraq, the region, and the international community,

Expressing grave concern at the current security situation in Iraq as a result of a large-scale offensive carried out by terrorist groups, in particular the Islamic State in Iraq and the Levant (ISIL), and associated armed groups, involving a steep escalation of attacks, heavy human casualties including children, the displacement of more than one million Iraqi civilians, and the threats against all religious and ethnic groups, *condemning* the attacks perpetrated by these terrorist groups and associated armed groups, in particular the events in Anbar province in January 2014 and the city of Mosul and other parts of the country in June 2014 by ISIL, against the people of Iraq in an attempt to destabilize the country and region, and *reiterating* its commitment to Iraq's security and territorial integrity,

Noting that the advance of ISIL on Iraq's sovereign territory is a major threat to Iraq's future, *underscoring* that the only way to address this threat is for all Iraqis to work together by addressing needs in the security as well as the political realm, *stressing* the long-term solution to the instability will require the political leadership of Iraq to make decisions that will unite the country, and *emphasizing* the importance of the international community supporting Iraq in this regard,

Calling on all political entities to overcome divisions and work together in an inclusive and timely political process aimed at strengthening Iraq's national unity, sovereignty and independence; and for Iraq's leaders to engage, as quickly as possible, to form a Government that represents the will and sovereignty of all segments of the Iraqi population and that would contribute to finding a viable and sustainable solution to the country's current challenges; and *reaffirming* its belief that through its democratic institutions, in cooperation with Iraqi society, Iraq can work to address the challenges facing the country for the benefit of all Iraqis,

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Underscoring the need for all segments of the Iraqi population to participate in the political process, an inclusive political dialogue, and in the economic and social life of Iraq, to refrain from statements and actions which could aggravate tensions, to reach a comprehensive solution on the fair distribution of resources, and to ensure stability and develop a just and fair solution for the nation's disputed internal boundaries and work to strengthen national unity, and *stressing* the importance of a comprehensive and inclusive Iraqi-led political process to support dialogue for all those who renounce violence, have no links to international terrorist organizations including ISIL, and respect the constitution,

Reiterating its praise for Iraq's Independent High Electoral Commission (IHEC), the Iraqi security forces, and the Iraqi people, candidates, and coalitions for the successful holding of parliamentary elections despite the security challenges Iraq faces,

Encouraging the Government of Iraq to continue strengthening democracy and the rule of law, improving security and public order, combating terrorism and sectarian violence, and countering incitement motivated by extremism and intolerance across the country, and *reiterating* its support to the people and the Government of Iraq in their efforts to build a secure, stable, federal, united and democratic nation, based on the rule of law and respect for human rights,

Emphasizing the need to continue efforts to promote international and regional cooperation aimed at supporting Iraq and to prevent terrorist groups included on the sanctions list established by the Committee pursuant to resolutions 1267 (1999) and 1989 (2011), in particular ISIL, from using the territories of Iraq and neighbouring States to carry out violence or other illicit acts to destabilize Iraq and the region, *expressing* its readiness to sanction further individuals, groups, undertakings, and entities who are supporting ISIL, *also expressing* grave concern over reports of access to and seizure of oilfields and pipelines in Iraq by terrorist groups listed by the Committee, *strongly condemning* any engagement in direct or indirect trade in oil from Iraq involving these terrorist groups, and *emphasizing* that such engagement constitutes financial support for such terrorists and may lead to further sanctions listings by the Committee,

Reaffirming the importance of the United Nations, in particular the United Nations Assistance Mission for Iraq (UNAMI), in advising, supporting and assisting the Iraqi people, including civil society, and Government to strengthen democratic institutions, advance inclusive political dialogue and national reconciliation according to the Constitution, facilitate regional dialogue, develop processes acceptable to the Government of Iraq to resolve disputed internal boundaries, aid youth and vulnerable groups including refugees and internally displaced persons, promote the protection of human rights, gender equality, children and youth, and vulnerable groups, and promote judicial and legal reform, and *emphasizing* the importance of the United Nations, in particular UNAMI, prioritizing advice, support, and assistance to the Iraqi people, including civil society, and Government to achieve these goals,

Urging the Government of Iraq to continue to promote and protect human rights and also to consider additional steps to support the Independent High Commission for Human Rights in carrying out its mandate,

Recognizing the efforts of the Government of Iraq in the promotion and protection of the rights of women and *reaffirming* its resolutions 1325 (2000), 1820 (2008), 1888 (2009), 1889 (2009), 1960 (2010), 2106 (2013), and 2122 (2013) on women, peace, and security and *reiterating* the need for the full, equal, and effective participation of women; *calling* on all parties to protect the civilian population, in particular women and children, especially in light of recent violence; *expressing* grave concern at the recruitment and use of children by ISIL and other armed groups in violation of international law; *reaffirming* the key role women can play in re-establishing the fabric of society and *stressing* the need for their full political participation, including in peace and political-decision making processes and the development of national strategies in order to take into account their perspectives, and *looking forward* to the full implementation of Iraq's National Action Plan on Security Council resolution 1325,

Expressing grave concern for the more than one million individuals seeking refuge in other areas of Iraq, reiterating its gratitude to the host communities, *emphasizing* the importance of addressing humanitarian issues confronting the Iraqi people, *stressing* the need to continue to plan and implement a coordinated response and to provide adequate resources to address these issues, *encouraging* Member States to support the United Nations humanitarian response in Iraq, working with the Government of Iraq, to assist all Iraqi individuals affected by the ongoing conflict, and *commending* the efforts of Member States that have contributed to the humanitarian effort,

Underscoring the sovereignty of the Government of Iraq, *reaffirming* that all parties should continue to take all feasible steps and to develop modalities to ensure the protection of affected civilians, including children, women and members of religious and ethnic minority groups, and should create conditions conducive to the voluntary, safe, dignified, and sustainable return of refugees and internally displaced persons or local integration of internally displaced persons, *welcoming* commitments and encouraging continued efforts of the Government of Iraq for the relief of internally displaced persons, refugees and returnees, *noting* the important role of the Office of the United Nations High Commissioner for Refugees, based on its mandate, in providing continued advice and support to the Government of Iraq, in coordination with UNAMI on these issues, and *encouraging* the Government of Iraq to continue working with UNAMI and humanitarian agencies to ensure the delivery of humanitarian relief to those in need,

Urging all those concerned to comply fully with international humanitarian law, including the Geneva Conventions and the Hague Regulations, as applicable, and to allow full unimpeded access by humanitarian personnel to all people in need of assistance, and to make available, as far as possible, all necessary facilities for their operations, and to promote the safety, security, and freedom of movement of humanitarian personnel and United Nations staff, its associated personnel and their assets, and also to respect and protect health care workers and medical transport and facilities,

Recognizing that the situation that now exists in Iraq is significantly different from that which existed at the time of the adoption of resolution 661 (1990), and further recognizing the importance of Iraq achieving international standing equal to that which it held prior to the adoption of resolution 661 (1990),

Expressing deep gratitude to all the United Nations staff in Iraq for their courageous and tireless efforts, and commending the leadership and good offices role of the Secretary-General's Special Representative for Iraq, Nickolay Mladenov,

1. *Decides* to extend the mandate of the United Nations Assistance Mission for Iraq (UNAMI) until July 31, 2015;

2. *Decides* further that the Special Representative of the Secretary-General and UNAMI, at the request of the Government of Iraq, and taking into account the letter from the Minister of Foreign Affairs of Iraq to the Secretary-General (S/2014/523, annex), shall continue to pursue their mandate as stipulated in resolution 2110 (2013); and recalls the provisions of resolution 2107 (2013);

3. *Recognizes* that security of United Nations personnel is essential for UNAMI to carry out its work for the benefit of the people of Iraq and calls upon the Government of Iraq to continue to provide security and logistical support to the United Nations presence in Iraq;

4. *Welcomes* the contributions of Member States in providing UNAMI with the financial, logistical, and security resources and support that it needs to fulfil its mission and calls upon Member States to continue to provide UNAMI with sufficient resources and support;

5. *Expresses* its intention to review the mandate of UNAMI in twelve months or sooner, if requested by the Government of Iraq;

6. *Requests* the Secretary-General to report to the Council every three months on the progress made towards the fulfilment of all UNAMI's responsibilities;

7. *Decides* to remain seized of the matter.